

Economic Resiliency and Economic Sustainability

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The concepts of economic resiliency and economic sustainability (hereafter referred to as ER/ES) are complex and offer challenges and opportunities that are as diverse and as far reaching as the profile and character of our cities, counties and regions across the United States and around the world.

Before I begin prompting your thoughts and discussions on these ideas, some observations on the recent and current economy may be in order to set an appropriate context for your ideas.

The “Great Recession” was the most severe of nearly a dozen recessions since the Great Depression. While this recession mimicked others in its duration, the depth of its economic contraction and the subpar recovery is still being measured. Most recessions are followed by a robust, three year recovery and return to normalcy; this one has yet to reach historical levels in its cycle. While the stock market shows substantial evidence of restoring value in the marketplace, employment growth has been very deceptive. While unemployment has declined significantly, underemployment remains a stubborn problem and the decimation of many employment sectors hinders the return of many to economic stability. The subpar annual rate of economic expansion is well below the post-World War II average and consistently below the forecast of the Federal Reserve. Median household income is still below pre-recession levels and a host of other key economic indicators are lagging. The “growth deficit” is nearly half a decade. Our society has lost years of prosperity. This has resulted in lost opportunities for millions of Americans. We are left with fewer jobs and salaries that will never catch up with the increased costs of living.

The global economy is more tightly interwoven, integrated, and thus, interdependent. The significance of emerging economies worldwide and on western economies is more visible and pronounced in their impacts.

The second area of context is the policy and political environment at the federal and state levels.

I need not lecture on the contentious political climate in which we operate and in which our local governments as well as our local economies are buffeted by the consequences of federal and state policies and politics.

Today, we need to be mindful of how these two forces shape the context for our work and the ability of our communities to progress towards and achieve levels of ER/ES. This leads us to a variety of public policies questions, concerns, and practices. The answers and resulting action are both common in their application and unique and innovative in the execution and implementation.

I believe that there are three core public policy areas that we should explore and discuss today:

1. **Quality of Life**
2. **Promoting critical mass of business and commerce**
3. **Socioeconomic issues and workforce innovation**

Quality of Life is characterized by an extensive list of community attributes that include the condition and reliability of the physical infrastructure, a safe environment and the perception of safety, effective transportation systems, growth management, the availability of open space, environmental qualities, quality of education (k-12, vocational/technical, and post secondary), community health, human and social services, and arts and leisure services.

Thought leaders and constituent groups throughout the community debate the priority and merits of these attributes in creating ER/ES in their communities and regions. Economic development promoters emphasize the strength of their communities in these areas through comparative benchmarks and scorecards in attempting to expand and attract business and commerce. Have we used these very same indicators with local decision makers, formal and informal community leaders, and constituents who will be the beneficiaries of expanded ER/ES? Do we examine the underlying elements that are at the heart of these programs and seek to replicate the success and prevent the repetition of the failure?

Promoting critical mass of business and commerce is exemplified through targeting specific industry and commerce sectors and utilizing a variety of incentives to expand or relocate these businesses. Incentives include tax abatement and credits, the waiver of impact fees and special assessments, redevelopment incentives, incentives for job creation direct cash payments, and federal and state subsidies for training.

Critical mass of business sector activity is considered valuable for the long term viability of business sectors in our community. Retailers want to be near other retailers. High tech designers and manufacturers want the same proximity. Critical mass of business sectors fosters the synergies that lead to business growth and expansion.

In the current economic and political environment, are we doing enough to assess the value proposition of these tools and incentives in achieving the desired results? Do they have short and/or long term benefit and contribute to ER/ES? Should they be expanded? Are we simply playing “musical chairs” with a finite amount of gross domestic product at the expense of limited resources that might be redirected to other needs? Are we simply enriching the coffers of business and commerce that are compelled to accept incentives and subsidies for decisions that they would otherwise make on their own because it makes good business sense to do so? Are we instigating the attraction and creation of quality jobs that would otherwise develop elsewhere? Are we using the right tools to advance ER/ES for the long term? Are we developing the empirical data to support our policies and present an appropriate case to our constituents so that we might expand, remove, or modify current policies and incentive programs? How do companies evaluate potential expansions and relocations? What are the determining factors for their decisions? Should we modify and refine our programs accordingly to match their criteria? Do we know the “return on investment” from our incentive programs and are we using that data effectively to foster further ER/ES?

Socioeconomic and workforce issues manifest themselves through a variety of national, state, and regional patterns and are further exemplified by stated and unstated community values and our response to them.

Poverty, its economic impact on the community, and its long term drag on ER/ES is a conversation that few communities are having today. The cyclical and cumulative impacts are a silent and steady hindrance on local economies. Poor health results in a less able workforce. This results in a decrease in human capital which lowers economic output. That results in higher unemployment, and furthers the decline of impoverished communities.

In my county, an economics of poverty study was undertaken that enumerated the health care costs and lost wages, along with the impact of homelessness. The economic impact translated into a \$2.3 billion drag on the local economy. With 12% of the population at or below the poverty level, there is a reduction of 1.4% on the local GDP. This is further impacted by an increase in cost to the local GDP for crime and a further reduction from increased indigent health care. We have yet to undertake a community wide conversation about these findings and an appropriate response to them.

We have heard much in the national press about income inequality since the emergence from the “Great Recession”. The long term implications and consequences upon our local ER/ES potential are still being determined. That said it is an issue that we should continue to be mindful of and determine ways to measure impact as we pursue ER/ES. Maybe even more important is the economic trend that some suggest is developing called the “barbell economy”. This is defined as the steady erosion of the “middle class” as we have known it since World War II and the increase in the percentage of population in the upper and lower classes. If this trend is actually taking place, the implications and consequences for our society, our communities, and the goal of achieving ER/ES are profound. How we monitor this perceived trend and respond to its patterns will be a major undertaking at the federal, state, regional, and local government levels. Will we have the appropriate courageous conversations about it in the context of ER/ES? What are to be the responses through social policy changes? How will we as government leaders prepare our communities to respond and alter its impact locally?

The final item in this area that is worthy of discussion is the preparation of the workforce of today and tomorrow. We have long heard the criticism that the United States is incapable of producing the technically skilled talent in math and science to meet the needs of business and commerce. But what about the lack of adequately trained workers to meet the technical needs of manufacturing, technical assembly, automotive technology, health care, and entry level and mid-level employment. Is our lack of meeting both industry needs and worker proficiency a far greater obstacle to achieving and maintaining ER/ES in our communities? What earning potential will be in place to support the high school graduate or those whose capabilities or desire do not lead them to post-secondary and post graduate careers? How will our businesses secure the skilled workers necessary to maintain and repair our heating, ventilation, and air conditioning (HVAC) systems, maintain and repair our computerized machinery, monitor complex process control systems, and enter and monitor secure data entry systems?

Are we having the conversations that addresses the “gap analysis” that must be undertaken if we are to staff the diverse industries and businesses that we desire in our communities. Have we compromised the backbone of ER/ES by creating the notion that everyone should aspire to a four year college degree?

How will we address the parents who dismiss the notion of technical/skill training for their child vs. a four year degree? How will we convince the machine shop owner and the “back office” business owner to expand in or relocate to our community if there is not conclusive evidence of the presence of skilled talent to staff their operation? The explosive pace of information and the dominance of the service sector require far more diverse talent and skills beyond math and science. What should be local governments’ role in facilitating the necessary workforce conversation and the subsequent policies shaped by school districts, community colleges, and technical institutes? Should we revisit the “guild system” of apprenticeships? The Germans have developed successful public-private partnerships that fully engage private industry both financially and tactically in creating the current and future workforce for their country. Is this model adaptable to the educational and social systems in the U.S? Are there

other models we should be studying or do we redefine workforce development for ourselves so that both college and high school graduates can find appropriate and quality opportunities to sustain themselves and contribute to their communities?

Local governments have typically left these questions to be answered by school boards, vocational-technical educators, junior colleges, federal and state workforce program managers, and industry. Is it time for local governments to more actively engage in this effort bringing community talent and financial resources to the forefront if we are to move more completely towards ER/ES?

The pursuit of economic resiliency and economic sustainability has become a more challenging aspiration with our emergence from the “Great Recession” and the global economy becoming more tightly intertwined. The issues presented are just three of many that confront us in pursuit of ER/ES. We are presented with the need to exercise adaptive leadership in local government. Decide what in our past and current policies and practices are essential to the success of our communities and utilize it. Honor the past practices that are no longer adaptable and leave them behind. Identify the handful of initiatives that we can promote in the positions we hold now and in the unique environments in which we work that will contribute towards ER/ES.

ADDITIONAL QUESTIONS FOR PARTICIPANTS IN REVIEWING THE ECONOMIC RESILIENCY/ECONOMIC SUSTAINABILITY WHITE PAPER

1. Are current policies and practices in your community leading you to ER/ES?
2. How will you know when you have made progress?
3. Do current policies result in increased local GDP or per household income, lower unemployment, and a reduction in the percentage of the population at or below the poverty level?
4. Are the policies and practices supporting ER/ES clearly articulated?
5. Are the specific outcomes and results desired for ER/ES well understood by the governing body, staff, and the community?
6. Will the same economic development practices that created the community’s economic base restore your community to levels achieved prior to the “Great Recession”?
7. Can they counter the apparent trends in income inequality and most importantly the apparent shift to a barbell economy?
8. Are there examples that you can offer of “enlightened self interest” by private reinvestment in building a resilient and sustainable local economy?
9. Can any examples you have identified be recast and “reverse engineered” as best practices that can be transferred and easily deployed elsewhere in your community and shared with others through AFI?
10. Should your city become an active participant in fostering more timely and relevant workforce training and development to meet the needs of business and citizens alike? If so, how will you engage the primary partners in that endeavor?
11. List three things that you can do in your community to foster greater ER/ES when you return from Big Ideas?
12. What can you do to enhance your professional skills and abilities in leading efforts for ER/ES?

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