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Inclusive Economic Growth in America's Cities

What's the Playbook and the Score?

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Abstract

This paper defines economic inclusion as the ability of all people, including the disadvantaged, to share in economic gains, that is, the conditions that allow for broadly shared prosperity. Beyond the "right" to access consumption in cities, and beyond relatively standardized safety net policies that support economic security, inclusion demands intentional, flexible, context-appropriate strategies aimed at shifting the dynamics of local land and labor markets, public education, and other institutions. The paper analyzes the varied contexts for designing and supporting such strategies in a rapidly changing society, where urban regions have long been critical to incorporating a broad cross-section of people, including immigrant newcomers. Four dimensions are particularly crucial: an urban area's level of economic growth, the *quality* of its jobs, its *demographic* profile, and its *geography of opportunity* (degree and form of spatial inequality). Economic inclusion is particularly urgent in America's strongest local markets, which are pricing out the lowest-wage workers and showing a disturbing tendency to import rather than grow the talent needed for the emerging, innovation-driven economy. But weak-market regions face important challenges—and a range of options for leveraging demographic and other changes—as well. And for now, in all types of cities, innovative and promising strategies remain small in scale, in part because they are competing for support with entrenched, underperforming systems.

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Inclusive Economic Growth in America's Cities: What's the Playbook and the Score?

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Introduction

The nation's labored but steady economic recovery and the economic resurgence of many U.S. cities as places to live and work—largely a reflection of their inventiveness and improved public safety in recent decades—has made the issue of inclusion urgent again: Who will benefit from this resurgence, who could be displaced, who is being left behind? The wider debate about the growth of economic inequality and the loss of economic mobility—getting ahead—in America has also made these questions timely and important.

Perhaps not since the 1980s, when cities in the Rust Belt were shedding industrial jobs rapidly and Washington cut back dramatically on urban aid, have there been so many ideas in play about ensuring basic access to well-being, let alone economic mobility, and about the role of cities and local-level action in that larger project. In terms of headwinds, a slow economic recovery, enormous fiscal pressures, jurisdictional conflicts, and global competition remain very challenging as cities try to find their way.

In this paper, we revisit the underlying question—what is an economically inclusive city, and how can it be created as the economy grows?—offering a critical review of several frameworks, discussing the varied contexts for inclusion, and outlining what we hope can serve as a more complete, actionable model for policy and practice. We organize most of this analysis around policy issues rather than principles (acknowledging the importance of the latter as guides), and we emphasize the interplay among policies. This is both a practical matter—of wanting to see results from mutually reinforcing and "de-conflicted" approaches to policy—and, in our view, a key to any politics of progressive change. That is, we take a holistic, systems approach, in contrast to the more piecemeal approach of some prior work.

Inclusive Urban Economies: Concepts and Trends

We define *economic inclusion* as the *conditions that make it possible for all people, especially the disadvantaged and typically low-income people, to share in rising prosperity,* *i.e. to share in and contribute to gains.* Inclusion relates closely to the inter-generational concept of *economic mobility:* the ability of a person whose parents earn or own little to grow up and be better off than her parents. Where there is economic mobility, people born into the bottom end of the income distribution increasingly, over their life courses, contribute to national prosperity and do well themselves. Where there is more economic inclusion, aggregate economic gains over a given period of time, in particular gains in income and wealth, are widely shared. Broadly understood, then, the *inclusive city* is one that allows all people, including the disadvantaged, both to **share** in and to **contribute** to rising prosperity over their life courses. Inclusion is concerned with both *consumption* (what low-income people get) and *production* (what low-income people make and do).

Both mobility and inclusion differ markedly from social protection, for example, of basic income security (during retirement or spells of unemployment) or access to healthcare. Protective policies and institutions are typically quite standardized and operated at population scales much larger than urban regions. Such security—the safety net, grounded in a social contract—is necessary but not sufficient to promote mobility and inclusion.

Our perceptions of inclusion and mobility are informed by two very distinct periods of growth in the American economy between 1945 and the present. The 25 years after World War II marked a turning point in the U.S. economy, which had previously—especially in the 1920s—delivered most of its gains to owners and investors. Immediately after World War II, U.S. manufacturers grew to dominate global markets, as European competitors struggled to rebuild after wartime devastation. National programs and policies enacted during the Great Depression and in the wake of the war—to encourage homeownership, union membership, infrastructure development, college education, and more—contributed to rising levels of income and wealth for vast numbers of families whose parents and grandparents had struggled to subsist in the early 1900s. Income inequality dropped steadily, homeownership rates rose from 40 to 60 percent, high-school graduation rates rose across the income distribution, and college attendance soared. And even though discrimination against African Americans persisted, the median income and homeownership rates of African Americans moved up in parallel with gains by white Americans, though huge black-white disparities in wealth persisted. Both trends were fueled by the 50-year Great Migration of African Americans, from the largely agricultural South to higher wage jobs in industrial cities in the Northeast, Midwest, and West. Economic, political, and social opportunity were much greater in those destination markets than in Southern states, whose economies were still predominantly rural and whose elected officials fought against expanded civil rights (Lemann 1991; Wilkerson 2010).

The years since this period, however, have been marked by sharply increasing economic inequality, with most gains from rising productivity going to investors, not workers (Levy and Temin 2007). As American dominance in manufacturing waned, a wide array of national leaders grew to embrace policies supporting trade liberalization and the dominance of the financial sector not just in the U.S. but globally. Growth in trade and "financialization," along with changing technologies and skill demands, have contributed significantly to rising levels of income inequality in the U.S.; but so has the erosion of policies and institutions, including collective bargaining and affordable higher education, that promoted shared gains in income and wealth (Cornia 2003, Goldberg and Pavcnik 2004, Lin and Tomaskovic-Devey 2013). Consistent with the thesis that uneven spatial development is endemic to market economies, these trends had particularly severe effects on city-regions that underwent significant economic restructuring—especially de-industrialization—over the past forty years (Bluestone and Harrison 1982).

At the national level, increased inequality in the distribution of earnings was a consequence of these structural changes. Whereas the top 5 percent of earners took home 17.2 percent of the income in 1967, they accounted for 22.3 percent in 2012 (U.S. Census 2013a). The average incomes of those in the top 5 percent grew—after adjusting for inflation—by 70 percent, to over $318,000, while those in the lowest 20 percent grew only 19 percent, to less than $11,500 (U.S. Census 2013b). Since 2000, moreover, the real average income at the bottom of the distribution has dropped 15 percent, whereas the real average income for the top 5 percent has dropped by only 4 percent. These levels distinguish the U.S. as the most unequal income distribution in the industrialized world

(Garfinkel, Rainwater, and Smeeding 2006). And an estimated one in four U.S. workers earns poverty-level wages (Osterman and Shulman 2011).

By the time of the Great Recession, the U.S. economy had become a prolific generator of "bad" jobs, with low wages, poor or non-existent benefits, or both. A rapidly growing proportion of the workforce was contingent in some form: hired on a temporary basis, employed by subcontractors rather than directly by major firms, lacking in job security, or even redefined legally as self-employed and thus ineligible for even basic workers' rights, let alone benefits. Compounding this, since the recession, many middle-wage, middle-skill jobs—the kinds of jobs that played a vital role in the broadly shared gains of late-industrializing nations such as the Republic of Korea—have been lost, while much new job growth is in occupational sectors with the lowest wages, worst benefits, and weakest career ladders.

The wealth gap has increased even more than the income gap. For example, "tracing the same households over 25 years, the total wealth gap between white and African-American families nearly triples, increasing from $85,000 in 1984 to $236,500 in 2009" (Shapiro, Meschede, and Osoro 2013). The gap between the wealth of blacks and Hispanics, on the one hand, and whites on the other is among the most threatening portents for the future. Wealth—especially housing wealth, which was devastated for minority households in the crash—is the source of stability for families in the face of economic insecurity and an increasingly important precondition for sending children to college.

Rising national income inequality reflects between-region as well as within-region trends. First, the income gap between the richest and poorest city-regions has grown, and it appears to strongly track differences in human capital and innovation; but for commodities booms such as the current one in shale oil and gas, income gains are strongly associated with high skills and R&D-intensive productivity (Moretti 2012). Second, there are marked differences between metro regions in the inter-generational economic mobility of low-income children (Chetty et al. 2013). And third, income inequality has also grown within higher-income regions, especially those, such as New York City, which are dominated by the financial sector. The last trend has contributed in turn—especially in large metropolitan areas—to increasing residential segregation between high-income households and others (Reardon and Bischoff 2011). Much of this income segregation trend appears to be driven by the enclaving of the highest income households, not the spatial segregation of the lowest income households from others.

While the aggregate income and wealth at the top has never stopped growing, the national consensus supporting redistribution and reinvestment—the social compact—has eroded severely since roughly 1970. Many important national policies remain in place to protect people—especially the elderly and the working poor—from abject poverty. Near-universal health coverage could have dramatic effects, likewise protective, over time. But since these national policies do little more than that, cities and states whose residents and elected leaders want more economic inclusion and mobility have worked to develop initiatives of their own. As we discuss in greater detail in the second section of this paper, the local initiatives differ markedly from one another in part because they arise in metropolitan areas with divergent starting points.

Policies and Practices to Promote Inclusion

Most efforts to improve the prospects for inclusion are very narrowly defined, with a single target and purpose. Compared to the 1980s and 1990s, when public-private partnerships were aggressively promoted and critiqued as a key conceptual breakthrough for cities to survive and thrive (Linder 1999, Warner 2008), there has been relatively little discussion of changes to the core institutions and policy commitments that might build economically inclusive cities. Many insightful analyses and commentaries limit themselves to particular facets of inclusion—housing and commercial development, education, employment, and so on—in urban areas, if they take a place-based approach at all. Rarely do analysts explore the links among these facets or the prospects for addressing them together in the complex systems that cities are—with intersecting interests, myriad spillover effects of any intervention, feedback loops, and other features.

We are not without some more integrative frameworks, however. In the world of policy, practice, advocacy and applied research, "equitable development," emphasizing inclusionary physical development but extending to skills, health and other issues, has taken shape and won support over the past decade, thanks to PolicyLink, a progressive policy advocacy organization, and other contributors (Blackwell and Bell 2005; Pastor 2000; Orfield 1997). In a series of publications, economist Manuel Pastor and collaborators have argued that equitable development policies and practices and "movements for regional equity" are crucial to ensuring national prosperity and meeting major demographic and environmental challenges, not simply just from a normative standpoint (Treuhaft, Blackwell, and Pastor 2011; Benner and Pastor 2012). In simpler terms, these authors argue that greater racial inclusion is pragmatic—having the full complement of the racially diverse workforce fully prepared to succeed provides a surer road to sustainable growth, for cities, regions and the nation as a whole. This parallels the more globally and historically focused evidence, by Acemoglu and Robinson, that equity—in the form of inclusive political and economic institutions—is a powerful driver of long-run economic innovation and growth. Inclusion is key to prosperity.

Two recurrent themes in this work, which includes analytic and prescriptive elements, are the persistent *spatial inequalities* within America's urban (metropolitan) areas—inequalities that are much sharper than those in other industrialized countries—and the *interdependence* of the central cities and suburbs that define metro areas as local labor markets—meaningful economic units (Briggs 2005; Pastor 2000; Orfield 2002). In terms of policy focus, housing, employment and educational opportunities tend to loom large in these analyses, followed by social protection, most fundamentally health and safety. The regional equity framework combines an emphasis on access to *metropolitan area-wide opportunities,* such as fair distribution of affordable housing and increased transit access to suburban job centers, with a comparable focus on *comprehensive community-building* in previously disinvested inner city neighborhoods.

Likewise, in a series of articles and a 2010 book, political scientist Susan Fainstein (2000, 2010) has offered a philosophically based argument for "the just city" and examined the economic and political forces that help shape cities' performance against just-city criteria. Fainstein underlines longstanding tensions and trade-offs among the values of equity, democracy and diversity to an extent that other observers have not, and unlike much of the above-cited research, her work is comparative. She compares economically prominent "global" cities—Amsterdam, London, and New York—while acknowledging that the dynamics in these cities are illustrative, not representative, of the opportunities and challenges facing more typical cities in the same nations. Like the equitable development framework, Fainstein's normative framework emphasizes more equity-oriented approaches to spatial development but acknowledges the importance of education, employment, safety and other needs. Fainstein's just city is both an ideal and a set of criteria for judging what cities decide and what their social outcomes are. Her recommended policies and practices "to further equity" are relatively general, however: take an inclusionary approach to new housing development (ensuring that some units in market-rate developments are available to low-income households) and protect the affordability of housing over the long run, emphasize benefits for small and local businesses and not just big corporate investors, keep transit affordable, and minimize displacement in redevelopment projects (Fainstein 2010:172-173). Apropos the mega-projects she has long observed, Fainstein's framework is, to a great extent, a framework for pursuing urban redevelopment with equity in mind, not for advancing equitable outcomes more generally. And it does not address what economic strategies cities might choose to *further* equity, as opposed to how cities should *mitigate* the inequitable effects of the most familiar strategies: lure investors and tourists without regard to local "value capture," job quality and other keys to inclusion.

Finally, a worldwide "right to the city" social movement, inspired by the work of Marxist philosopher and sociologist Henri Lefebvre (cf. Lefebvre and Nicholson-Smith 1991) and "spatial justice" theories of geographer David Harvey (1988, 2003), has a presence in the U.S., both among intellectuals and in grassroots organizing, typically in the form of pressure politics. Member organizations participate in an alliance "to promote democracy, justice and sustainability." The alliance fights displacement, particularly for low-income residents and people of color and usually in the context of major urban redevelopment projects, but it advocates on other issues as well. On a broader note, in the U.S., this intellectual tradition tends to emphasize more radical transformations of key institutions, for example of property rights and the role of government, eschewing neoliberalism and the very idea that capitalism, without such transformations, can be made far more equitable in cities. The right-to-the-city agenda is consistent with the call for regional equity, for example, but goes beyond these other frameworks in its prescription for change.

These frameworks are reflected in the strategies and demands of urban social movements and in the policy agendas of progressive leaders and coalitions, as they seek ways to promote inclusion in the face of rapid economic change. Whether the contested terrain is transportation spending priorities, housing affordability, local hiring requirements on publicly-funded construction projects, financial support for new business ventures, K-12 school reform, or even access to higher education, the various policy campaigns can be seen as chapters in an ongoing debate about the means to create a more inclusive city.

Toward Inclusive Cities: Dimensions and Starting Points

The upsurge in interest in inclusive cities in the U.S. and abroad is an outgrowth of deep concerns that cities in the U.S.—reflecting the broader trends toward inequality in wealth, income, and power described above—have become unsustainably exclusive. This exclusion occurs in metropolitan areas that diverge radically. From culturally vibrant New York, to economically powerful Houston, to distressed but determined Detroit, the pathway toward inclusion has different starting points and will face different kinds of challenges in coming years. Those challenges include four (4) key dimensions: the overall *level* of growth, the *quality* of local jobs (in particular, the extent to which the "knowledge economy" dominates the metropolitan area), the *demographic profile* of the region, and the *geography of opportunity* in the area.

Level of metropolitan growth

Growth determines the level of resources and range of economic opportunities available for all regional residents and shapes possibilities for redistribution to low-income households. Growth also affects the political environment for policy choices.

In weak-market metro areas, job growth and population growth are both low. Competition for work is high, and many mobile and motivated adults, especially recent college graduates, depart for areas where their earning prospects are brighter. Some weak-market metro areas retain a well-educated population engaged in advanced manufacturing, education, and medical care, but opportunities for middle-income jobs and job growth are limited. Immigrants from abroad, who constitute a very important source of population and labor-force growth, are less likely to settle in weak-market metros. This means that immigrant enclaves, which have helped reenergize urban cores, are also less common or are smaller in many weak-market cities. From a fiscal standpoint, weak-market metro areas also suffer from slow growth or even declines in tax revenue, even as the need grows for revenue to serve an increasingly vulnerable and needy population.

Promoting inclusion when the economy is growing slowly or shrinking is very challenging. Most strategies for weak-market cities and metros focus first on restarting the engine of job creation. Such strategies often begin by identifying the strengths of the local economy and "anchor" institutions that are unlikely or unable to relocate to other places. These include, for example, universities and hospitals ("eds and meds"), which, with deliberate policy commitments, can sometimes provide the basis for linkages to local suppliers or allied businesses, adopt good-job standards, and contribute directly to building skills. Such institutions may also focus on quality-of-life measures meant to attract and retain the well-educated and mobile people—often ambitious young people—who might be inclined to look for greater opportunity in strong-market metros. Many weak-market cities feature surprisingly extensive efforts to grow their "innovation economy": to promote business start-ups in those technology-based subsectors that build upon their distinct local assets in engineering and science. For the reasons outlined above, innovation is increasingly prescribed as the tonic for local economic distress in America.

In a strong-market metro, by contrast, job growth and population growth both exceed the national average. These markets are economic magnets, retaining locals who can find good jobs locally and attracting migrants from other parts of the country and often from abroad. Since young people are more likely to relocate than older adults, the dynamism of strong-market labor markets is often reflected in substantial growth in the number of children, increasing fiscal burdens in the short term but setting the stage for further rounds of growth and productivity in the longer term if children are well enough cared for and educated to get good jobs when they enter the labor force. Likewise, the foreign-born tend to increase local fiscal burden in the near term; their net fiscal contributions are substantial over time, and they accrue primarily at the national level, via income taxes paid (NAS study).

Strong-market metros have their own challenges with inclusive growth. Comparatively low unemployment, rapid job creation, and substantial investment in real estate may lead decision-makers to overlook problems of income inequality, long commutes, and unaffordable housing. Low-paying service sector jobs still dominate the labor market for large sectors of the population, and those low wages are doubly challenging in such high-cost environments. Finally, there is a substantial risk that strong-market metro areas will under-invest in local talent because employers can attract high-skill workers from elsewhere in the nation or abroad. Strong magnets that can import so much talent have less incentive to grow their own, and this lack of commitment to local economic mobility usually has the heaviest consequences for lower income communities of color, whose schools and connections to good jobs are typically the worst in the region.

Job quality and access

The problems of the persistence of bad jobs and the disparities in access to better ones reflect public policy and employer practices as well as documented skill gaps in the labor force. As described in our opening section, a large proportion of “good” industrial jobs, by which relatively less-educated Americans could support a middle-income lifestyle, have disappeared since the 1970s, and the profile of the labor market has been increasingly bifurcated, with larger numbers of lower paid service sector jobs and a smaller, but still significant number of well-compensated positions grounded in technical or financial expertise.

Preparation of the workforce is, at its core, a problem of national scope and significance with persistent racial disparities, and an understanding of regional differences should be rooted in that broader context. Lack of educational opportunity is a critical barrier. The jobs of the future will require increasingly higher skill levels, but our educational systems are not preparing low-income children and children of color for success. While 45 percent of all jobs in 2018 will require at least an associate's degree, only 27 percent of African-American workers, 26 percent of U.S.-born Latinos, and 14 percent of Latino immigrants have this level of education (Carnevale et al., 2010; Treuhaft et al., 2011). In addition, racial discrimination, weak social networks, disproportionate incarceration, and the distance between where jobs are located and where people of color can afford to live (combined with poor transportation options) all conspire to reinforce racial inequities in the labor market (Treuhaft and Rubin, 2013).

Differences between regions have to do with the quality of jobs currently in the local economic base (i.e., the legacy of past trends) as well as those currently being produced by the regional economy (i.e., the recent momentum of economic growth or decline). One metric of job quality and skill level is the extent to which the regional labor force is dominated by occupations that—on average, nationally—require at least some college. Warehouse employees and agricultural workers, for example, seldom have much college education; college professors almost always have at least some college education.

To illustrate inter-regional differences, we classified U.S. workers into five "job skill"[1] categories, by college attainment: Very low (fewer than 20% of those in the

[1] "Skill" here is an abbreviation; people without college often have very strong skills obtained through experience. The variable we use is a constructed variable made available

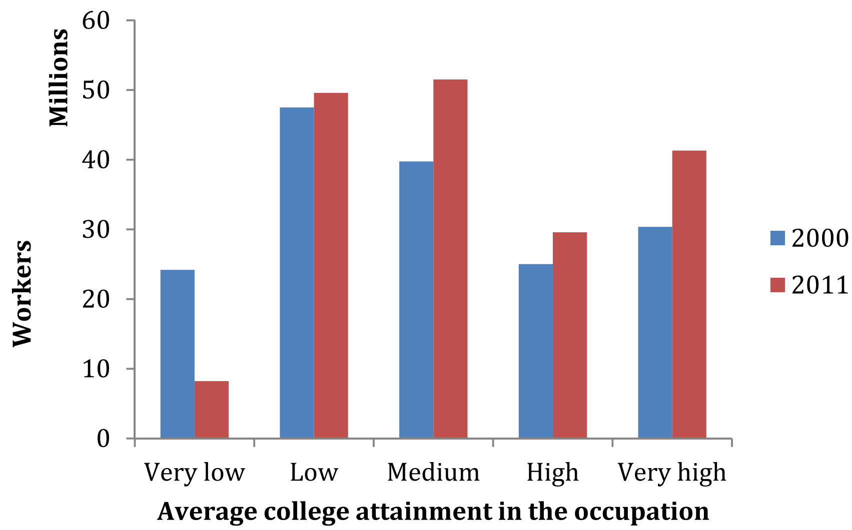
occupation have at least some college), low (20-39% have some college), medium (40-59% have some college), high (60-79% have some college), and very high (80-100% have some college). Our findings help underscore the importance of national trends, the variation between U.S. metro areas, and the diverse pathways that inclusive growth policies may need to pursue:

1. Occupations in which most workers lack college education are disappearing fast.

Between 2000 and 2011, the very-low skill category lost nearly 16 million jobs nationwide and the low-skill category gained only 2 million jobs, compared with gains of almost 12 million middle-skill jobs, 4.6 million high-skill jobs, and nearly 11 million very high skill jobs (Figure 1). These changes are driven by at least two main forces. First, the fastest-growing occupations are those that have long required at least some college attainment. Second, educational expectations are rising, so that occupations that once had low levels of college attainment—including many low-wage jobs—now are held by people with medium skill levels, even if the objective requirements for carrying out many of these jobs have not changed.

in IPUMS-USA (Ruggles et al., 2010), EDSCOR90, which indicates the percentage of people in the respondent's occupational category who had completed one or more years of college.

Figure 1. Most U.S. job growth is in the middle- and high-skill categories; low-skill jobs declining.



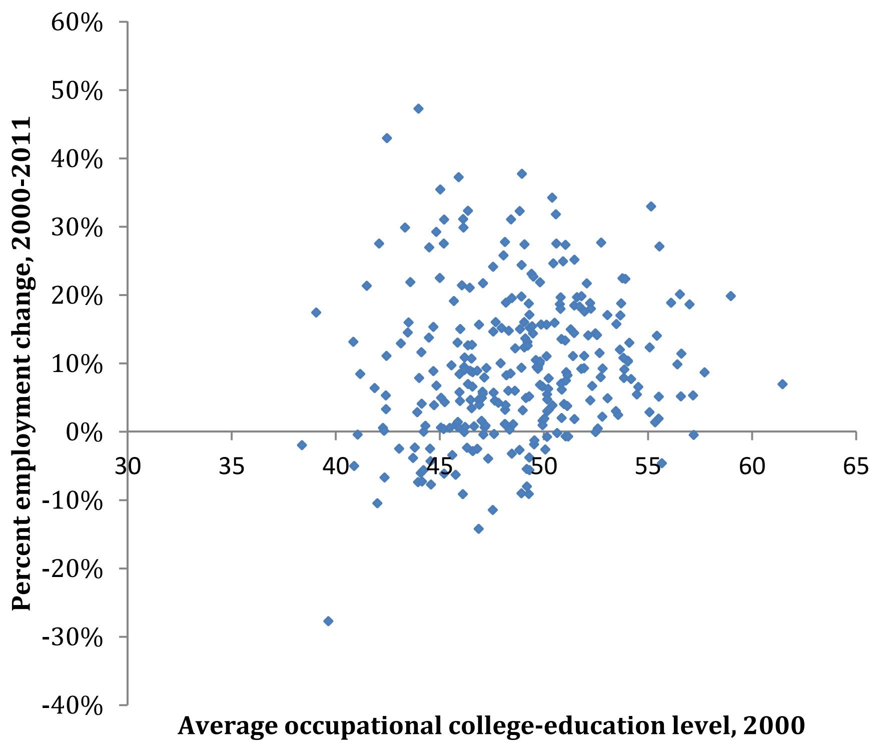
Source: Authors' calculations based on U.S. Census, 2000 Census of Population and Housing long form and 2011 one-year American Community Survey, extracted from IPUMS-USA (Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database]. Minneapolis: University of Minnesota, 2010.).

Metro areas where many young people lack access to good K-12 education, community colleges, and four-year degrees therefore are unlikely to share in national job growth unless they have other features that can attract in-migrants. Focusing on education, at least through community college, is therefore a necessary ingredient not only because it allows workers to get access to better jobs but simply because it equips them to qualify for jobs in the only segments of the labor force that are still growing. Most critically of all, perhaps, access to education allows current workers to keep up with new entrants to the labor force, who are increasingly likely to have at least a year of college.

2. Cities with low-skill job concentrations can grow but are not safe from decline.

As shown in Figure 2, U.S. metropolitan areas where most of the labor force worked in occupations requiring low levels of college attainment in 2000 (averages less than 45 percent of the total) ranged from employment growth of over 40 percent between then and 2011 (in the border metros of McAllen and Laredo, Texas, where cross-border consumer demand helps fuel growth), to employment losses of five to 10 percent in a small number of metro areas (with Flint, Michigan, in the Rust Belt, losing an estimated 28 percent of its jobs).

Figure 2. Job growth is not limited to high-skill metro areas (U.S. Metro areas, 2000-2011)



Source: Authors' calculations based on U.S. Census, 2000 Census of Population and Housing long form and 2011 one-year American Community Survey, extracted from IPUMS-USA (Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database]. Minneapolis: University of Minnesota, 2010.).

Development strategies for inclusive growth in the Rio Grande Valley will necessarily need to differ from those in Flint and the rest of the Great Lakes. They share a need for skill development in the labor supply; many new jobs are low-income jobs, meaning metros such as McAllen need to create more "good" jobs and upgrade many existing jobs. But Flint, once the home of many of General Motors' largest assembly plants, may also need a combination of job development through the creation of new enterprises and mobility pathways leading some job-seekers to other, growing metropolitan economies.

3. Cities with concentrations of high-skill jobs show significant and persistent inequities.

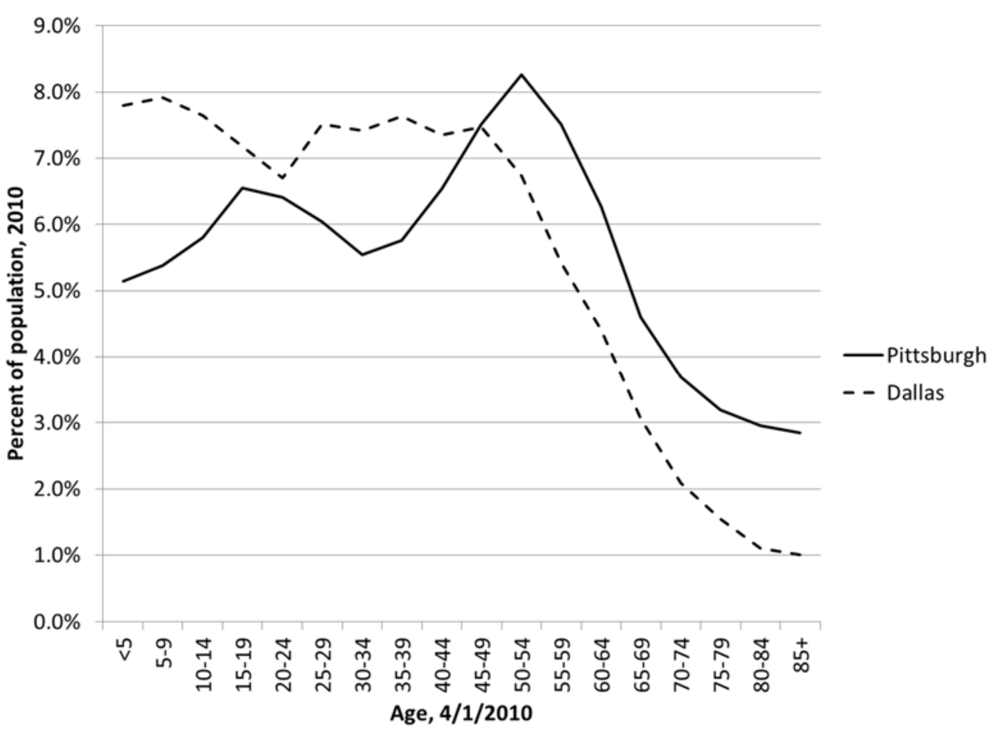
While Figure 2 suggests that high-skill metro areas were shielded from job loss since 2000, they have not experienced the levels of job growth often common in more balanced economies (i.e. those with many middle-skill jobs). And the metro areas where the highest shares of residents work in high-skill occupations—Stamford, Connecticut; Washington, DC; Santa Fe, NM; San Jose, CA; and Boston, MA—have high housing costs that burden low-wage workers. Inclusive economic strategies in these metro areas may need to focus not only on job growth for mid- to low-wage workers, but also on initiatives to ease financial and commuting burdens for young adults who fill these jobs but need to balance work, family, and the pursuit of higher education. The diverse recent trends in labor, student and resident organizing in those high growth areas have focused on these types of challenges: maintaining the affordability of and access to community colleges; enacting policies for higher minimum wages or "living wages"; expanding affordable housing supply (in the face of stagnant or declining federal assistance); and building broad-based coalitions to advocate for expanded mass transit to serve working people.

Metropolitan demographic profiles

U.S. metropolitan areas also vary in their demographic profiles. First, there is age distribution: Baby Boomers (those born 1945-1962 and currently aged between 51 and 68) are a noticeable "bump" in the age profile of most metropolitan areas. National trends in economic growth and international migration over the past four to five decades have led to substantial variation in the share of younger residents, however. In the New York metropolitan area, for example, about 53 percent of residents are younger than 40 years old, whereas about 60 percent of the population of metropolitan Dallas is younger than 40.

A comparison of the age structures of Dallas and Pittsburgh—two large metropolitan areas at extremes of the age-distribution spectrum—suggests that these two areas have economies with different kinds of challenges (Figure 3). In Pittsburgh, Baby Boomer retirements will create large numbers of job openings in the next two decades, potentially offering significant opportunities for the relatively small number of children and young adults currently living in the region—but perhaps attracting migrants to compete for those openings as well. Utilities, hospitals, universities, and other anchor institutions with large, relatively well-paid workforces are the key sources of this turnover, and many of the recent innovations in workforce development aim squarely at taking advantage of that for local populations.

Figure 3. Age composition extremes: Pittsburgh and Dallas, 2010



Source: U.S. Census of Population and Housing 2010, Summary File 1.

In Dallas, by contrast, the population has large numbers of children and young adults and a smaller share of Baby Boomers than the national average. Substantial amounts of job growth through the formation of new establishments and firms and the expansion of existing ones will therefore be needed to provide opportunities adequate to accommodate expected labor-force growth. Since the main sources of job growth in the U.S. economy are occupations that require high levels of education, Dallas's ability to remain competitive for that job growth may hinge on investments in pre-K, K-12 education, higher education, and workforce development. Specific measures aimed at inclusion in education and training, that is, are probably crucial if cities such as Dallas wish to maximize their economic potential—and specifically promote inclusive growth—in coming decades.

A second dimension of difference among metropolitan areas has to do with wide variation in racial and ethnic composition. The United States' long history of white non-Hispanic (white) racial discrimination against nonwhites—especially African Americans—affects prospects for inclusion in many ways.

Whites have higher incomes and household wealth, work in higher-status occupations, have lower levels of unemployment, and are much less likely to be currently or formerly incarcerated than either African Americans or Latinos (Oliver 2006, Alexander 2012). On average, white children attend schools whose teachers are better paid and less likely to turn over than those whose students are mainly African American or Latino (Clotfelter, Ladd, and Vigdor 2007).

Among the 25 largest U.S. metropolitan areas, for example, the percent of population that is currently white and non-Hispanic ranges from over 80 percent in Pittsburgh, Cincinnati, and Minneapolis-St. Paul to less than 50 percent in Los Angeles, Miami, Riverside (CA), Houston, and San Francisco-Oakland. The racially diverse metro areas also differ from one another, with blacks or African Americans constituting over one-quarter of the population in Atlanta, Baltimore, and Washington and Latinos or Hispanics amounting to at least a third of the population of Riverside, Los Angeles, Miami, and Houston. Metropolitan areas with high proportions of African Americans and Latinos disproportionately bear the burden of the legacy of discrimination, meaning a need for higher levels of investment to reach a level playing field with predominantly white metros.

About 13 percent of the U.S. population in 2010 was born abroad. But like other demographic characteristics, the share of immigrants from abroad varies widely across metropolitan areas. Perhaps predictably, metropolitan areas with the highest percentages of Hispanic population—Miami, Los Angeles, and Riverside—also rank among those with the highest shares of foreign-born residents, but immigrants also account for more than one in five residents in San Francisco, New York, San Diego, Houston, and Washington, D.C. Even these metros have diversity in the national origins and skill level of their foreign-born residents. Local initiatives in metros with large and especially newly growing immigrant populations need to foster immigrant economic integration and ensure success from the first to second and successive generations. In some large immigrant gateway metropolitan areas, this requires English language instruction to large numbers of residents. About one in 10 residents of the San Francisco-Oakland area, for example, speak English less than "very well," a proficiency level that also applies to between 5 and 10 percent of residents of Los Angeles, New York, Seattle, Boston, San Diego, and Washington.

The geography of opportunity within metropolitan regions

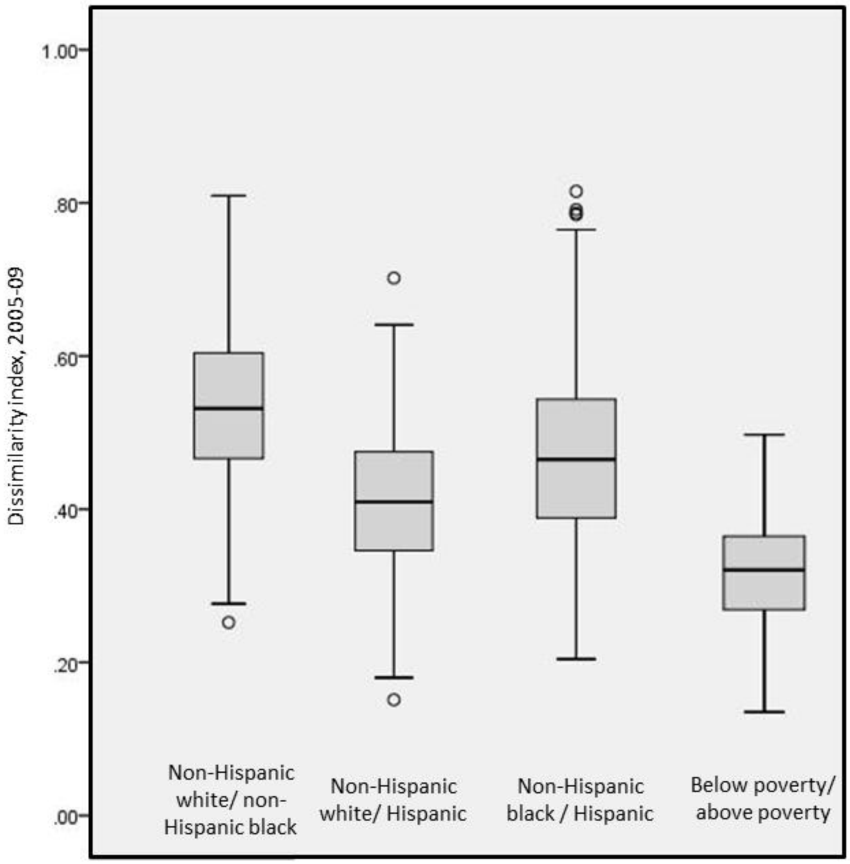
A fourth and final key dimension of difference among U.S. metropolitan areas is in the degree to which residential neighborhoods and even local government jurisdictions separate people by race and class. Compared to other affluent economies, including immigrant magnets such as Canada and Australia, racial residential segregation is still very high in the U.S., especially segregation of African Americans from whites and Latinos (Fig. 4). Segregation reduces housing wealth for people living in black and Latino neighborhoods (Flippen 2004) and reduces useful social contact between whites and others (Massey and Denton 1994; Briggs 1998). Racial segregation has sometimes evolved so that large, contiguous areas—entire districts, not just single neighborhoods, within cities—are either mostly African American or mostly white (Lee et al. 2008). In Atlanta, for example, whites have suburbanized by moving ever farther north from the central city and middle- and working-class blacks by moving south. Washington, D.C., presents a similar pattern: whites have suburbanized north and west, while blacks have moved south and east.

The spatial segregation of the poor from the non-poor is related to racial segregation but less severe in terms of rates (figure 4). Low- and middle-income people increasingly share neighborhoods while the highest-income households—who are predominantly white—form enclaves (Reardon and Bischoff 2011).

Neighborhoods with high concentrations of African Americans and Latinos often have high poverty rates; few high-poverty neighborhoods, conversely, are mostly white. Concentrated poverty—neighborhood poverty levels exceeding 30 percent or even 40 percent—has a host of negative outcomes for the people who live in it, especially for children who grow up amid such economic insecurity. These include, for example, a lower sense of subjective well-being (Ludwig et al. 2012), lower birth weight (Osypuk et al. 2013), poorer physical health (Ludwig et al. 2011), worse educational outcomes (Sharkey and Elwert 2011), higher risks of adolescent parenthood (Wodtke 2013), weaker levels of labor-force participation, higher rates of incarceration (Fagan et al. 2002), and dampened rates of civic participation (Stoll 2001). Moreover, key effects appear to be transmitted across generations (Sharkey 2013), contributing to “durable” inequalities. The incidence of high-poverty neighborhoods—those whose poverty rate exceeds 30 percent—varies substantially across the U.S.; in Detroit, Cleveland, and Philadelphia, the probability that a person living below the poverty line also lives in a high-poverty neighborhood exceeds 40 percent.[2] Poor people in Portland (OR), San Francisco, Seattle, and Tampa, by contrast, are less than 15 percent likely to live in a high poverty neighborhood. Although all comprehensive strategies for addressing the needs of low-income children require a combination of community-level institution-building and family-level interventions and supports, these contrasts in the intensity of concentrated poverty suggest different approaches are needed in various cities.

[2] Authors’ calculations based on 2005-2009 U.S. Census American Community Survey data.

Figure 4. Racial-ethnic and poor-nonpoor residential segregation varies widely across U.S. metro areas, 2005-09



Source: American Community Survey data for 2005-09 (average), CBSAs (metropolitan areas only) using 2003 definitions; computed by Pastor et al. and available in the Building Resilient Regions dataset.

Prolonged economic distress, beginning with the Great Recession in 2007, has raised the national poverty rate to its highest level since the 1970s. The families who have fallen into poverty because of job loss live disproportionately in neighborhoods where many poor families already lived. As a consequence, poverty rates in many of these neighborhoods have surpassed the "high-poverty" threshold. While economic recovery may change this in time, these areas and their residents remain unstable and economically insecure.

There are two distinct types of growth in concentrated poverty, requiring different policy responses. First, some high-poverty neighborhoods are immigrant enclaves in fast-growth, low-wage metros, with high population density, high (but also often informal) labor force participation, high residential mobility rates, and large families. Policy responses appropriate for these enclaves largely hinge on effective immigrant incorporation through school, workforce, and entrepreneurship opportunities, and housing policies (including rental affordability) that support a pathway to affordable and secure homeownership, especially for young families, as an asset-development tool. Some research even suggests that immigrant enclaves have protective factors that neutralize the negative effects of concentrated poverty, not only for immigrants but also for native-born co-ethnics (Osypuk et al. 2010).

A second, very different group of high-poverty neighborhoods are central-city and inner-suburban zones of deindustrialized, weak-market metros, effectively abandoned by both the market and, in many respects, the public sector. These neighborhoods have low population density and high concentrations of elderly and disabled residents, lack affordable and amenable options for shopping, and suffer from decaying infrastructure. Policies to improve the economic prospects of these neighborhoods and their residents often hinge on workforce development and the creation of stronger connections with the anchor institutions that are often nearby. To the extent that their housing stock remains viable and their location is convenient to established jobs, reinvestment in infrastructure and patient efforts to build mixed-income housing, create new opportunities for small business, and improve mass-transit connections can also improve their appeal and stabilize these neighborhoods.

But many of these neighborhoods are at the core of metropolitan areas whose edges are steadily moving outward as new houses continue to be built to accommodate middle- and upper-income households. This oversupply makes new neighborhoods more attractive than old ones and almost as affordable. Efforts to make older neighborhoods more attractive therefore may require complementary efforts to reduce the oversupply of new housing at the fringe. In the meantime, inclusive development in these neighborhoods may mainly need to focus on smoothing the transition to a lower-growth economy through land banking, code enforcement, and enhanced social services.

Ensuring the Elements: What Do We Know, and What Do We Need to Learn?

Inclusion demands access to affordable necessities, such as housing, which presents a crushing burden to many disadvantaged households. But inclusion clearly demands access to good jobs and opportunities to build wealth as well. In light of the trends in how and where cities and metropolitan areas have been growing, the strategies for making cities more economically inclusive are necessarily varied. Here, we focus in greater depth on the employment dimension of the "playbook," first outlining three broad objectives and then briefly describing several strategies that are receiving a growing amount of attention from local leaders and national policy makers.

Improving institutional access: In some local labor markets, jobs are available, or will be thanks to new investments, and the local population is ready, willing and able to secure the jobs. New policies or practices are needed in order to ensure broad and fair access to these job opportunities and to match job seekers and employers effectively. These are not necessarily easy changes to bring about, but they are perhaps the simplest in conceptual terms: new positions are created, and qualified local residents from lower income communities of color are given genuine opportunities to obtain them. This requires overcoming historic and persistent barriers of racial and gender discrimination in various businesses and trades, and it requires new investment in or near the areas where disadvantaged workers and job seekers are disproportionately concentrated. The U.S. Department of Housing and Urban Development's Section 3 policy, for example, gives residents of public housing first chance at construction jobs in the renovation of their developments. Meeting the goals for Section 3 alone would create about 100,000 jobs for public housing residents. (Carr and Mulcahy, 2010.) A host of programs to provide energy retrofits to older buildings and promote local hiring for this work have also led to the employment of local low income residents eager for a chance to break into the new green industries. (National Employment Law Project, 2012) Virtually every major redevelopment project in the U.S. has faced demands, if not outright opposition, until they have created vehicles for inclusionary hiring and local contracting. Beyond redevelopment in the formal governmental sense of that term, almost all public infrastructure projects are now subject to some form of this focus on inclusive hiring and contracting. The most effective of these targeted hiring strategies are tied to skills-building and other preparation for would-be new workers from underrepresented communities.

Improving spatial access (to jobs throughout the region): In most regions, most new jobs are created in suburban locations, so the general absence of good mass transit has made many of these positions inaccessible, both to inner-city populations and to the growing ranks of suburban poor. A host of pilot efforts, such as the federal Job Access Reverse Commute (JARC) program, have helped to bring a number of these jobs within reach, although significant progress would still require massive transit expansion, land use policies to better concentrate job growth on or near existing transit corridors, and/or affordable access to reliable automobiles. (e.g., through car voucher programs, which have been tested but never scaled). Notwithstanding persistent spatial mismatch, the dispersion of affordable housing to the suburbs has brought many racially diverse, lower income earners within better reach of a wider range of jobs; in fact, improvements in spatial mismatch appear to be mainly about workers relocating toward job growth, not jobs growing near disadvantaged workers and job seekers (Raphael and Stoll 2003). In a recent change to federal guidance and enforcement of fair housing laws, HUD has directed those regional planning agencies which have received "sustainable communities" planning grants to conduct "fair housing equity assessments" which explicitly measure the variations across their regions in access to jobs in relation to the location of areas of racially concentrated poverty. This better documentation and heightened awareness is intended to spur greater regional attention to address these disparities, though the policy framework for regional action is thus far relatively sparse.

Building skills: The education and skill levels of unemployed and underemployed people need to be significantly improved if they are to be able to obtain and succeed in growing and more rewarding occupations. Given that urban school systems have failed large proportions of inner-city residents of color, and given that poorer suburban school districts are likewise struggling, prospects for economic security, let alone upward mobility, will remain limited unless and until the disadvantaged gain skills and job readiness. The range of strategies in play to address this human capital crisis is enormous, and it is beyond the scope of this paper to cover them in depth. Key strategies for various age groups include:

- Intensive early childhood education, with a focus on cognitive development and health;
- Primary and secondary education reforms of many kinds, with particular emphasis on teacher effectiveness, smaller class sizes, new educational technologies, and improved science, technology, engineering and math (STEM) curricula and mentoring;
- Dropout and "push-out" prevention, which often calls for radically different approaches to school discipline procedures, especially for boys of color, as well as improvements to curriculum;
- Restructured technical and vocational ("skilled trades") programs, which reflect modern workplace realities, high wages for trades (thanks to licensure and in some cases unionization) and efforts to combat stigmas and overcome discriminatory practices of "tracking" low-income youth and youth of color away from college preparation; and
- Improved access to, and readiness for, higher education, from associate's degree credentials that are increasingly in demand for traditionally lower-skill jobs, such as manufacturing, on up.

Each of these strategies deserves a place in any serious commitment to promote economic inclusion by improving the lives of young people. For adults, a wide range of training, education, and workplace strategies have been developed, and many of the effective ones feature consistent success factors, whether the jobs are in construction, retailing, health care, or other sectors. For example:

- Concurrent workplace and classroom learning experiences which feed into and reinforce each other, sometimes in the form of apprenticeships;

- Support services, mentoring and guidance, and flexible financial aid, which enable to clients to gain confidence and finish what they start; and
- A clear and realistic path to employment, for example through strong connections to employers that focus on specific skill needs and sectoral changes.

These features represent best practices in workforce development for all kinds of adults. But for the large numbers of formerly incarcerated men and women being returned to their home communities, they are especially crucial yet hard to put into practice. The lack of resources devoted to getting former prisoners into the regular labor force is one of the largest systemic failings of the justice and training systems, and threatens to undermine progress made on other fronts.

Workforce development and education are the responsibility of patchwork quilt of local agencies, overseen by equally fragmented state and federal regulators and funders. Issues such as the needs of the formerly incarcerated add the criminal justice system into the mix of relevant policy arenas. Savvy school and workforce agency leaders know how to initiate these kinds of innovations in spite of the inertia built into the system, and all of the concepts listed above can be found being successfully implemented somewhere. The next threshold for US workforce development will not be the creation of more pilot projects, but rather more widespread enactment of policies for systemic change and sustained funding to nurture the new approaches in community colleges, high schools, and community-based training organizations.

Economic Inclusion Tools and Policy Targets for Cities and Regions

Since the civil rights era, communities, advocates, policy makers, and industry leaders have developed a variety of economic inclusion tools, such as targeted hiring and minority contracting strategies, which connect low-income people, people of color, and minority- and women-owned businesses to economic opportunities. Economic inclusion tools have achieved important gains for low-income communities and communities of color—but they are far from sufficient to match the scale of the problem. Economic inclusion has often been a small add-on to a fully developed economic development strategy, incorporated because of legal requirements or resulting from community pressure, organizing, and advocacy. In other instances, economic inclusion efforts are ineffective, uncoordinated, or—in the case of strategies that depend on commitments by employers or others—weakly enforced.

As the local demonstration projects and innovations supported by philanthropy or federal pilot programs have proliferated, and advocates for inclusion have their sights set on more thoroughly integrating these pilots into large-scale job creation, economic development, and public investment strategies being pursued by local and state governments.

Below, we summarize three such approaches to economic inclusion in cities and regions, which we chose for several reasons. First, they are important job creation strategies in their own right. Second, they offer large-scale opportunities for economic inclusion in terms of the potential number of people from underrepresented groups who could be connected to jobs or the number of firms that could be connected to growth opportunities (that lead to greater job creation). Third, they have the potential to change the system in which they are being implemented, engaging multiple stakeholders and leading to shifts in how economic development is pursued at the regional level. Fourth, many of them are attuned to the importance of asset-building and wealth creation as well as direct employment. And finally, while there are only a few well-established models of these innovative strategies, the local innovations show great promise.

Increasing the positive local economic and social impact of anchor institutions

As mentioned above, hospitals, universities, utilities and other large employers will usually not be relocating from central cities and are a major source of employment, spending on goods and services, and capital projects. They are often also, through the commercial uses of their research, the drivers of technological innovation and high growth industries in their home regions. This large economic impact and generally heightened sensitivity to a range of social and political imperatives make anchor institutions especially significant potential contributors to strategies for inclusion. When several anchors act in alliance with each other and with community developers, the impact and the level of innovation can be even larger.

Cleveland's Evergreen Cooperatives exemplifies how hospitals and universities can orient their spending power to spur development of new enterprises in distressed communities and connect low-income residents (including ex-offenders) to good careers that pay family-supporting wages and enable the employees to build wealth through an ownership stake in the business. The worker-owned enterprises are, thus far, a laundry, an urban greenhouse operation growing lettuce, and a solar installation company, all capitalized based on commitments by the hospitals and universities to purchase these goods and services (Cleveland Foundation 2013).

The breadth, creativity and sustainability of the Evergreen Cooperatives and the other joint activities of Cleveland's anchors are a result of recognition of several key factors by key leaders:

- These institutions needed to act collaboratively. Notwithstanding the traditional intense competition between the two large hospitals, they could not revive the community or create the environment for their survival and success independently. In addition to the worker-owned enterprises, the joint activity of the hospitals and universities has led to mass transit improvements, public safety strategies, public events, and numerous other ways in which the University Circle area has become a more viable community.
- The Cleveland Foundation plays a strong and unique role in convening as well as supporting all the partners in a long-term, comprehensive place-based strategy. This local philanthropy, one of the nation's oldest and largest community foundations, created the spaces in which all the parties, from corporate executives to local residents to municipal government, could plan and implement the new enterprises and the other neighborhood improvement strategies.
- A strategy for neighborhood revival requires family and community asset-building as well as income-generating efforts. The goal of Evergreen's firms is to endow their worker-owners with a growing stake in viable businesses. This economic stability will, it is anticipated, promote stability in the neighborhood's population and real estate values, and enhance its chances for a gradual return to prosperity.

The Henry Ford Health System in Detroit has increased its purchasing from Detroit firms and runs a supplier development program to increase minority purchasing and contracting. The hospital pays small local firms a month in advance, which makes it easier for them to execute these contracts, and has made its bidding procedures much more transparent than in the past (Treuhaft and Rubin, 2013). A citywide information system for matching local firms with all the anchors' purchasing requirements in being put into operation. Henry Ford Health System and the other anchors in Midtown Detroit have also collaborated on housing incentive programs, for both purchases and rentals, to encourage employees to live near their work, and to a range of other revitalization initiatives.

As in Cleveland, the array of strategies and collaborative relationships among and with the anchors is cultivated by an independent entity, in this case the community-based organization now known as Midtown Detroit, Inc. The group serves as a business improvement district manager, a nonprofit property developer, a forum for neighborhood plans, a support system for small firms, and the instigator of a variety of housing, commercial, targeted procurement and local hiring strategies. MDI is supported by a wide range of foundations as well as earned income. In a situation such as Detroit, where local government is unable to take the kinds of initiatives seen elsewhere,

Promoting racial and ethnic diversity in entrepreneurship, from neighborhood small businesses to innovative technology firms.

The case for racial inclusion is not limited to jobs, but is equally important for the establishment and support of small businesses and, more generally, the development of new enterprises in all sectors of the regional economy, from neighborhood retail and business-to-business vendors to the start-ups in the technology sectors and the commercialization of intellectual property. Minority entrepreneurs typically face barriers or lack of access to networks, capital, and other resources beyond what their white counterparts face, and a number of organizations have been formed to overcome these often implicit but very real challenges. Apart from representing an important dimension of inclusion in their own right, minority-owned firms are more likely than other firms to hire employees from their communities (Bates, 2009).

The U.S. has long had support centers for independent firms and would-be entrepreneurs, often under the rubric of Small Business Development Centers or other extensions of the federal Small Business Administration. Most large cities also have some kind of small business loan program. But while these publicly supported entities have had some successes, they are slow to change their practices, face tightening public budget allocations, and have not been the locus of most of the innovation in the field. Most of that energy has been found in some relatively new nonprofit organizations, usually seeded by private philanthropy and often with an explicit racial or cultural identity. The Neighborhood Development Center in St. Paul, Minnesota is emblematic of business development programs that help entrepreneurs from low-income communities of color start their own enterprises and contribute to the revitalization of their neighborhoods. The NDC's training courses are culturally and linguistically specific to each community, including many diverse immigrant groups, from Somalis to Hmong to Mexicans, and the support system that keeps working with graduates has proven to be effective over the long term: more than 4,000 residents have completed the training and 500 graduates are currently operating businesses, sustaining 2,200 jobs and returning $64 million to their community in taxes, payroll, and rent annually (Treuhaft and Rubin, 2013, based on evaluation by Wilder Foundation). An interest-free system for lending money, consistent with Islamic practice, is among the culturally specific components of the work of NDC. The NDC model is currently being adapted in Detroit by a cluster of organizations serving a range of immigrant populations and African American communities.

In the high-growth sectors, there is a small but promising trend of support systems being established for African American and Latino would-be entrepreneurs, both men and women, to establish access to the kinds of advising, social and business networks, information and capital which have largely been the province of white and Asian American males. These support centers, some organized as nonprofits, other as for-profit businesses, are appearing in both the dominant centers of information technology, such as the San Francisco Bay Area, and in older industrial cities such as Cleveland. JumpStart, Inc. and a spin-off, Main Street Inclusion Advisors, based in Cleveland, have been leaders in counseling hundreds of entrepreneurs of color from their earliest concepts through all the stages of starting up or connecting to technology-oriented companies. More systemically, NorTech, a nonprofit technology-based economic development organization also based in Northeast Ohio, has asserted the high priority it, and its allies, give to inclusiveness: "Northeast Ohio is the first region in the country where partner organizations in the innovation ecosystem … have united to measure the competitiveness of African Americans and Latino Americans in regional innovation clusters, commit to a common framework for collective action, and to adopt broad policies of support." (NorTech, 2012). NewME is an accelerator for technology start-ups by African American and Latino entrepreneurs, based in San Francisco but with "pop-up" competitions and clinics in several other cities, including Detroit. (PolicyLink 2013.) NewME aims to broaden access to the kinds of experts, resources, and environments for collaborative problem-solving which have become the hallmark of software entrepreneurship.

Though this type of advising is still relatively new, there is great potential for its expansion into other cities and more varied lines of business. It is complemented by the approach taken by groups such as the Initiative for a Competitive Inner City which, while not as explicitly race-based, also champions business start-ups and expansions in sectors and places where core cities have, through market analysis, been shown to have a comparative advantage.

But like many effective innovations, these efforts face competition from entrenched actors and interests, including under-achieving public or publicly funded operators. Change calls for disruptive reforms and re-purposing budgets.

Building equity into regional economic development and sustainability strategies

The geography of opportunity across metropolitan areas necessitates a regional approach to equity and inclusion, and many of the recent pilot projects in regional sustainable development have attempted to identify the ways in which low-income residents can gain better connections to the engines of economic growth. Grantee consortia of the HUD Sustainable Communities Initiative, many of them headed by regional transportation agencies, have recently been asked by HUD to focus more on "economic resilience." This can encompass many aspects, but more equitable access to jobs throughout is considered a prime feature, one that fits well with these consortia's interest in linking transit investments and transit-oriented development to specific sector strategies and employment growth more generally. While it is too early to see the results of these plans, regions such as Puget Sound in the state of Washington, Kansas City, and the Twin Cities of Minnesota, are among those who are taking these access-to-opportunity issues very seriously. Across the major metros of California, the regional "Sustainable Communities Strategies" mandated by the state in order to reduce carbon emissions have also resulted in assessment, if not selection, of land use and transportation scenarios for growth based on their employment and equity consequences.

This attention is not just the result of planners or policy makers coming to their own conclusions about the importance of racial inclusion and access to opportunity. Rather, the planning processes are being pushed hard and creatively by networks of regional equity advocates, which were described earlier in this paper. In the San Francisco Bay Area, both the state and federally-supported sustainable communities regional planning processes have activated a broad coalition of labor, community and environmental groups. This alliance has pushed not only to for transportation and housing plans that would reduce the jobs-housing mismatch, but for cities and counties to take the "high road" with respect to job quality, that is, to save their economic development incentives and subsidies only for enterprises that would create jobs that pay well and provide good benefits, especially for those with modest levels of education. That will not be an easy bar to reach, but in a region where the dominant themes of public discourse concern the transformation of neighborhood and displacement of people by high technology firms and their professional workforce, it has undeniable resonance.

Metrics for Inclusive Cities: Improving the Score

Developing a parsimonious set of outcome indicators will help those engaged in local economic and community development to settle on a course of action, track progress, and make course corrections. To serve these purposes, the indicators need to be straightforward to measure, preferably using at least some data gathered by trusted local stakeholders. Some data collected by non-local sources will naturally also be used, but local actors need to understand and accept the data collected by other stakeholders and to know how best to integrate non-local with local data sources.

Metrics for both production and consumption objectives would help show whether a local economy is becoming more inclusive. In one recent example of such measurement, PolicyLink and the University of Southern California's Program for Environmental and Regional Equity (PERE) have developed a series of regional equity profiles for various U.S. metropolitan areas.[3] The profiles offer 69 indicators of demographics, economic vitality, readiness, and connectedness in a mix of both regional "starting points" (including some of those we have discussed in this paper) and social and economic outcomes. Not every measure has a clear relationship with a desired outcome and is possible to influence with local actions. But all the categories offer at least some indicators that could be used to tell stakeholders that their economy is becoming more productive, inclusive, and innovative. Even the demographic indicators—whose trajectories are mostly affected by forces beyond local control—include measures of diversity that could associate with local efforts to attract and retain young people, especially international immigrants. Among the other areas, here are examples of some metrics mainly from the regional equity profiles that associate with more inclusive outcomes that could be monitored for action:

- **Economic vitality**
    - **Job growth** indicates the extent to which jobs are available. Job openings (i.e., positions that come open for new applicants) are another indicator of the availability of jobs.
    - **Unemployment and labor-force participation**, tracked by race, sex, age, and educational attainment, shows the extent to which adults are in the workforce and can find a job and where efforts to increase labor-force engagement and job development might be targeted.
    - **Real income and poverty rates** can expose the total purchasing power of the population as well as the extent of material want in the community. However, both of these measures need to be calibrated to local conditions because prices—especially housing costs—vary dramatically across the country. Furthermore, multiple data sources are needed for an accurate view of income and poverty considering the imprecision of self-reports on national surveys.

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[3] See, for example, An Equity Profile of the Kansas City Region, http://www.policylink.org/site/apps/nlnet/content2.aspx?c=lkIXLbMNJrE&b=5136581&ct=13381851, and An Equity Profile of the Houston-Galveston Region, http://www.ourregion.org/OurRegion2040Supporting_Documents/Regional_Equity_Profile.pdf.

- The Gini coefficient of **income inequality**, and other measures of income inequality, can tell how far apart the highest- and lowest-income households are in their purchasing power.
- **Wages**, both their level and growth, are the central component of income for working people, and can also be tracked by race, sex, age, and educational attainment.
- **Occupational structure** also affects economic outcomes. The regional equity profiles track job openings according to their *occupational opportunity,* an index based on job quality (median annual wage) and growth from 2005 to 2011 (real wage growth, change in the number of jobs, percent change in the number of jobs, and median age of workers). The occupations are further sorted according to the educational level required to obtain work in them. In Houston, for example, the highest-opportunity occupation for workers with high-school diplomas or less is water transportation worker, whereas the lowest-opportunity occupations are animal care and service workers and other protective service workers.
- **Industrial structure** influences many characteristics of the local economy, because different industries have different levels of dynamism, stability, wage growth, unionization, and local economic linkages, and because different industries have different occupational structure.
- **Entrepreneurial opportunity,** indicated by a range of features including the level of self-employment, the number of new establishments in an area, the number of small businesses per capita, and the percent of adults currently engaged in starting a business. These measures are not included in the Regional Equity Profiles, and local data may be necessary to develop reliable indicators.

- **Readiness**
  - **Educational attainment** is a core attribute of readiness for work and probably the outcome that cities will find it easiest to address in the short to medium term. Overall educational attainment as well as specific levels of attainment—associate's degrees or four-year degrees, for example—can undergird the up-skilling of established industries (i.e., the introduction of new higher-opportunity occupations as well as higher real wages in established occupations) as well as the growth of new industries relying on better educated workers.
  - Rates of **disconnected youth**, usually measured as the percent of 16- to 24-year-olds not in school and without a high-school diploma, are warning signs that local actors can watch and attempt to improve.

    - Measures of **health and well-being**, including for example obesity, diabetes, asthma, and work-related disabilities, also show areas in which barriers may reduce labor-force participation and reduce productivity.
- **Connectedness**
    - **Residential segregation** by race and income, including the **concentration of poverty,** correlates with inequality in the distribution of amenities. Poor and predominantly black and Hispanic neighborhoods have weaker schools, are exposed to more pollution, and often have lower access to high-quality retail goods and food than mostly white and upper-income neighborhoods. Racial residential segregation may also reduce overall economic growth in metropolitan areas, thereby relating back to economic vitality.
    - **Public transportation dependence**, **lack of access to an automobile,** and **estimated annual transportation costs** based on place of residence show the extent to which transportation barriers might limit the ability of families to get access to work, schools, training opportunities, and high-quality goods and services.
    - **Housing cost burden** indicates the extent to which residents are able to devote their incomes to critical non-housing expenditures.
    - **Homeownership rates** by race and income show how widely distributed is the access to the central mechanism for wealth retention in the U.S.

Local stakeholders will not go to the trouble of collecting and watching these metrics if they do not find them useful, however. A series of challenges may either deter them or strengthen the process of building more inclusive economies. As a first step in the development of metrics, then, an intervention may need to begin with a process in which local actors engage directly with these key challenges.

Stakeholders need to believe that the actions they invest time and money in could logically have an impact on the outcomes they hope to improve. Global, national and regional trends simply matter much more than local actions for many of the outcomes in question.[4] And while common-sense stories may connect some local actions with improved outcomes even in the face of trends beyond local control, the evidence base connecting actions (e.g., raising the local minimum wage) with results (e.g., reducing local income inequality) in this realm is generally sparse and weak. Even when local actions bear fruit

[4] This implies that the job of building inclusive cities—and of measuring inclusion at the city level—is an issue that needs to involve stakeholders and actions at all levels, not just locally.

with better outcomes, it may take years before those outcomes truly flourish, and by then, it may be impossible to distinguish the contribution of any one action to the better outcome. If local actors do decide to innovate in ways designed to increase vitality, readiness, and connectedness, however, they can do so by comparing areas or people who do and do not benefit from the innovation.

Metrics are important, that is, during this phase of building more inclusive economies because it is still an experimental one. The role of metrics in this experimental phase may be to encourage stakeholders to identify their most important objectives (i.e., desired outcomes of the intervention), develop more robust logic models connecting interventions with outputs and outcomes, and roll out interventions that they agree are most likely to help reach their expectations. Building consensus about the outcomes is an important exercise in itself, because stakeholder commitment to actions that will improve those outcomes can foster better preparation in the face of future economic challenges.

Measurement of local outcomes is also challenging because people and businesses move into and out of cities all the time. The beneficiaries of local actions might relocate. An investment in children's health and education in one city may pay off in another city (or state, or country) entirely. Encouragement of entrepreneurs, tax breaks for relocating businesses, and other initiatives can all offer short-term gains that evaporate with relocation to other places. Additionally, some actions involve redistribution of resources from a mobile group to a less mobile one—in particular, taxation of high-income or high-wealth individuals or businesses to fund services for low-income households. If few enough members of the more mobile group support the overall balance between what they pay and the advantages the location affords, they may be inclined to move away (and others not to move in). As the most sensitive people and businesses trickle away from the city or decide not to move in, the burden may shift to those whose tolerance is tested and even overstressed, causing new people and businesses to move away.

Tracking who moves, where they move, and why can be done to an extent using existing national data sources, but only with some delay. For example, data on residents of small areas by age, sex, and race can be used to infer movement between censuses. The residents of a neighborhood consisting entirely of exactly the same number of 20- to 24-year-olds in both 2000 and 2010, for example, must be completely different people (i.e., gross outmigration and gross in-migration are both 100 percent). Gross estimates of migration and residential mobility can also be made for larger cities using microdata from the American Community Survey with a lag of about two years. Better sources are local, but these will require cooperation among government institutions. For example, school registration links students to addresses and can show how families with children are flowing into and out of a city. Use of these data with personal identifiers eliminated is complex but more feasible of school districts participate in the process of planning for economically inclusive cities. Community colleges may also be important partners for developing tracking measures. Relationship-building with state Departments of Motor Vehicles may also support the development of systems to track resident relocations, again usually using linked but de-identified personal data. For tracking business startups and relocations, cities can use local business licenses or commercial products such as the National Employment Time Series (NETS) database. Ultimately, understanding and tracking mobility can alert stakeholders to emerging trends that could either support or destabilize efforts to build a more inclusive city economy.

Another key challenge is unavailable, weak, or stale data. This challenge may present another opportunity in disguise. First, it may drive participants in the economic development process to connect with other efforts that have already started to make data-driven improvements in other systems. Impressed by the model of Cincinnati's STRIVE initiative to improve outcomes for children and youth, for example, actors in other cities have begun their own efforts to convene stakeholders from multiple sectors to achieve specific goals for kids according to age-based milestones. This model—known as collective impact—has since spread to other subject areas including economic and community development. Commitment to these models can lead stakeholders with access to data to share their data with one another or with trusted data intermediary organizations like those participating in the National Neighborhood Indicators Partnership (NNIP). The collection and analysis of data, in these examples, becomes valued because it is embedded and made relevant in a local context. As they grapple with questions of measurement and validity, stakeholders in the process ultimately come to define issues and outcomes more clearly.

Conclusion

America's urban regions, anchored by their core cities, vary in their overall *level* of growth, the *quality* of local jobs, the *demographic profile* of the region, and the *geography of opportunity* in the area. These differences help define distinct contexts for promoting economic inclusion, which we have defined as sharing in the gains associated with economic growth, not just access to consumption. But for now, a quite extensive playbook of strategies and tactical tools receives sparse and uneven support. Moreover, a growing body of evidence suggests that *ex*clusion undermines growth, first by under-utilizing a society's workforce and second by stifling entrepreneurial risk taking. Progressive safety net policies continue to be vital for economic security—and they are under severe strain thanks to government cutbacks—but they are not enough to creative an economically inclusive society. Such a society must be based on inclusive urban labor markets, local determination to grow talent and not just import it, and private employers, anchor institutions, and other engaged in continuous problem solving and learning.

The diverse strategies and tools for creating more inclusive cities are not yet widely or systematically applied, and their scale thus far is modest compared to the volume of jobs that were lost before and during the Great Recession, particularly in older industrial cities. But their proliferation is encouraging, and they will get increased momentum given the heightened societal attention to increased inequality and limited economic mobility. In a pattern familiar in the U.S., many of the innovations have been primarily supported by private or community foundations, rather than government funding. This is not a path to sustainability, of course, for if the innovations are to become standard and widespread practice, their operations will need to be adopted by the public sector in some form and the capital for the start-up and expansion of the firms they assist will need to increasingly come from private, market-driven sources. The interest in attaining widespread impact is also why advocates often focus more on getting broad policies enacted, and public budgets restructured, to effect change than on simply replicating or expanding model projects.

Recent attention to income inequality and the lack of intergenerational mobility in America has transcended the research arena to become the currency of activism, and this suggests a constituency for enacting the kinds of inclusive strategies profiled in this paper.

Local campaigns around the country to raise the minimum wage, or the election of Bill de Blasio as Mayor of New York on a platform committed to reversing the city's growing economic divide, are indications of the immediacy and appeal of these issues. The combination of political advocacy with sensible programs and policies could make America's cities and metro regions ever more lively testing grounds for ways to make economic change deeply and broadly inclusive.

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