



Inclusive Growth in the Next Economy

August 28, 2018

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AGENDA

I

Relating Poverty Alleviation to Economic Growth

II

Economic Growth in The Next Economy

III

The Next Economy Requires a New Growth Practice

IV

Inclusive Growth is an Economic Imperative

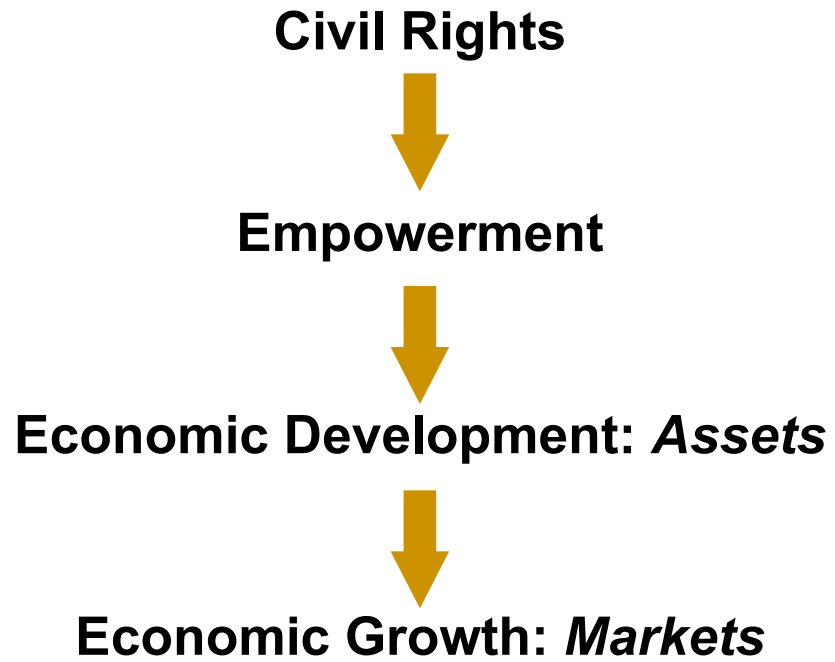
V

Inclusive Growth Practice

I

Relating Poverty Alleviation to Economic Growth

From “Equity” to ... “Equity”



Putting the ECONOMICS in Economic Development

Market Based Development

To address poverty, create wealth



Wealth is created by investing in assets



The economic mechanism for investing in assets is the market



Therefore, to increase wealth in poor communities, expand market activity to their assets

Poverty and Economic Growth

“... poverty has no causes. Only prosperity has causes. Analogically, heat is a result of active processes; it has causes. But cold is not the result of any processes; it is only the absence of heat. Just so, the great cold of poverty and economic stagnation is merely the absence of economic development. It can be overcome only if the relevant economic processes are in motion.”

-- *Jane Jacobs*

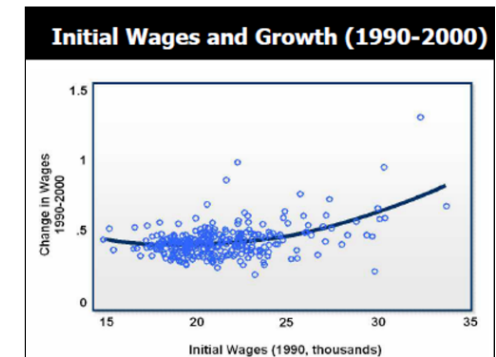
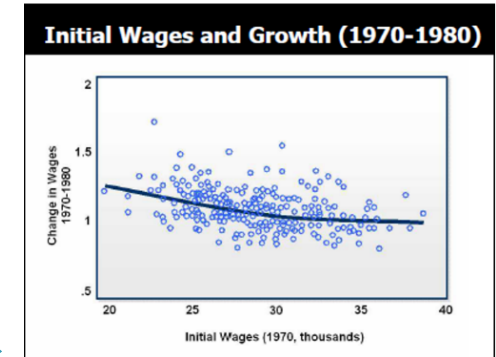
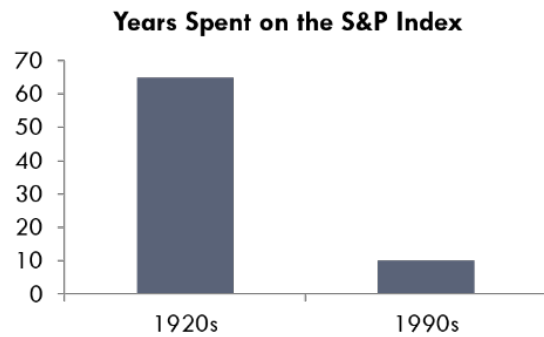
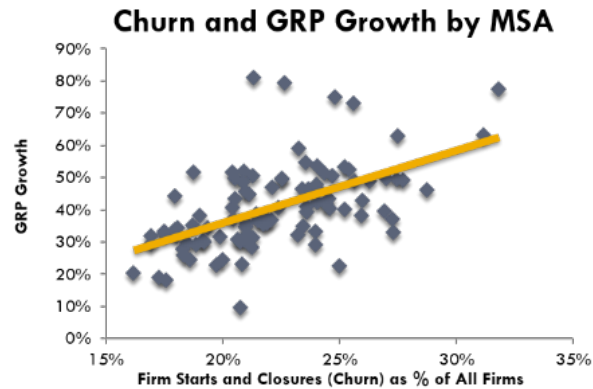


Photo from Shelf-Basin Interactions

II

Economic Growth in The Next Economy

Wealth Creation in the Next Economy



“Creative Destruction” is disrupting industries, labor markets and places

Growth occurs through market levers enabling interactions of unique concentrations of firms, talent & technologies in place

Divergence means economy no longer “takes care of itself” → be deliberate:
what will you be good at/known for/the place to be?

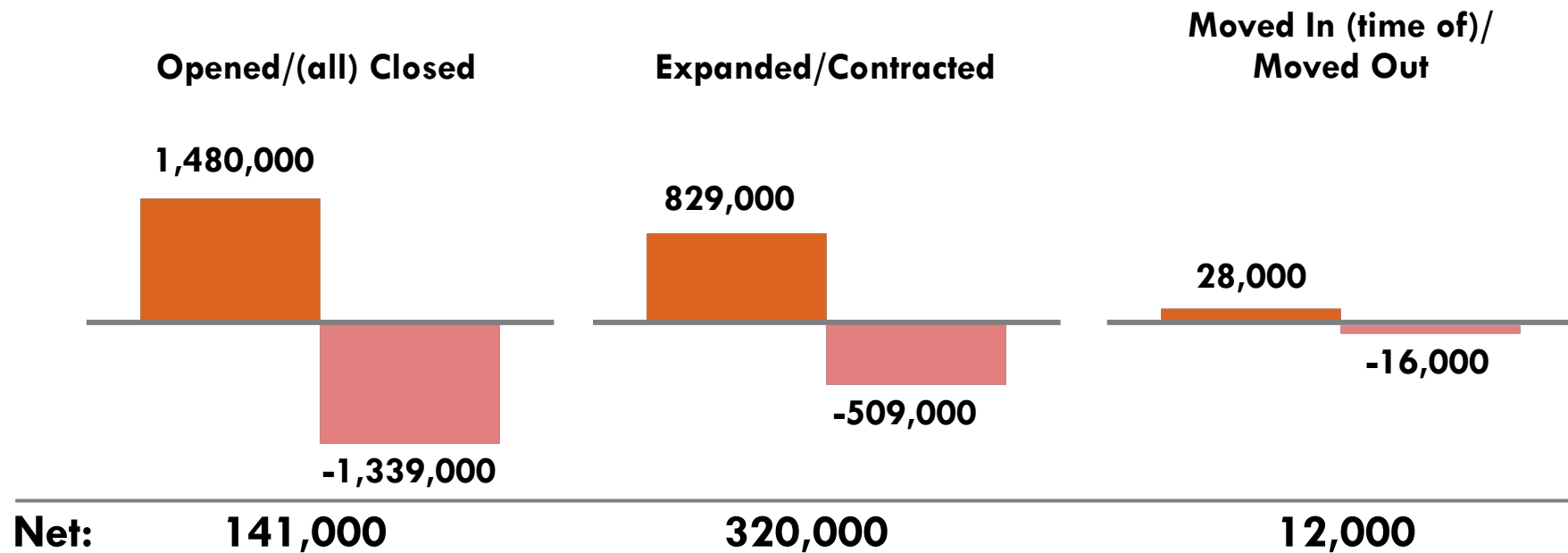
III

The Next Economy Requires a New Growth Practice

From the “Old Economy”

Costly and one-off firm attraction

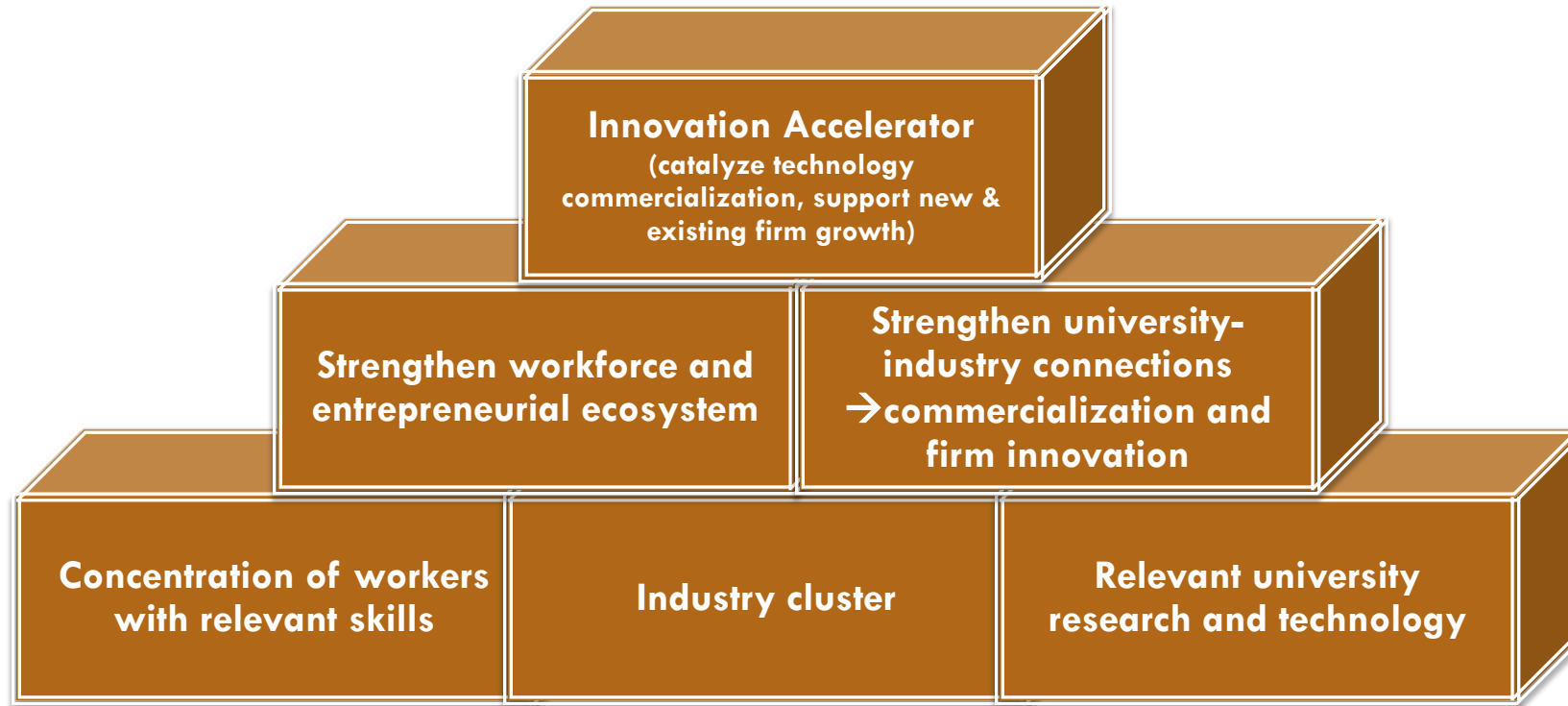
Sacramento MSA Job Growth/Loss, 1998-2016



Stop competing to grow...

...To New Principles for the Next Economy

Build on existing strengths and unique assets



...and start growing to compete

From the “Old Economy”...

Competing on low cost



TAX ABATEMENTS

Tax Abatement by Programs
For the Year Ended December 31, 2016
(In Thousands)

Primary Government		
City of Seattle		
Property Tax		
Historic Properties Incentives		
Provides property tax abatements through legislation		

...To New Principles for the Next Economy

Compete on value added



From the “Old Economy”...

Bureaucratic, top-down, inside-out government



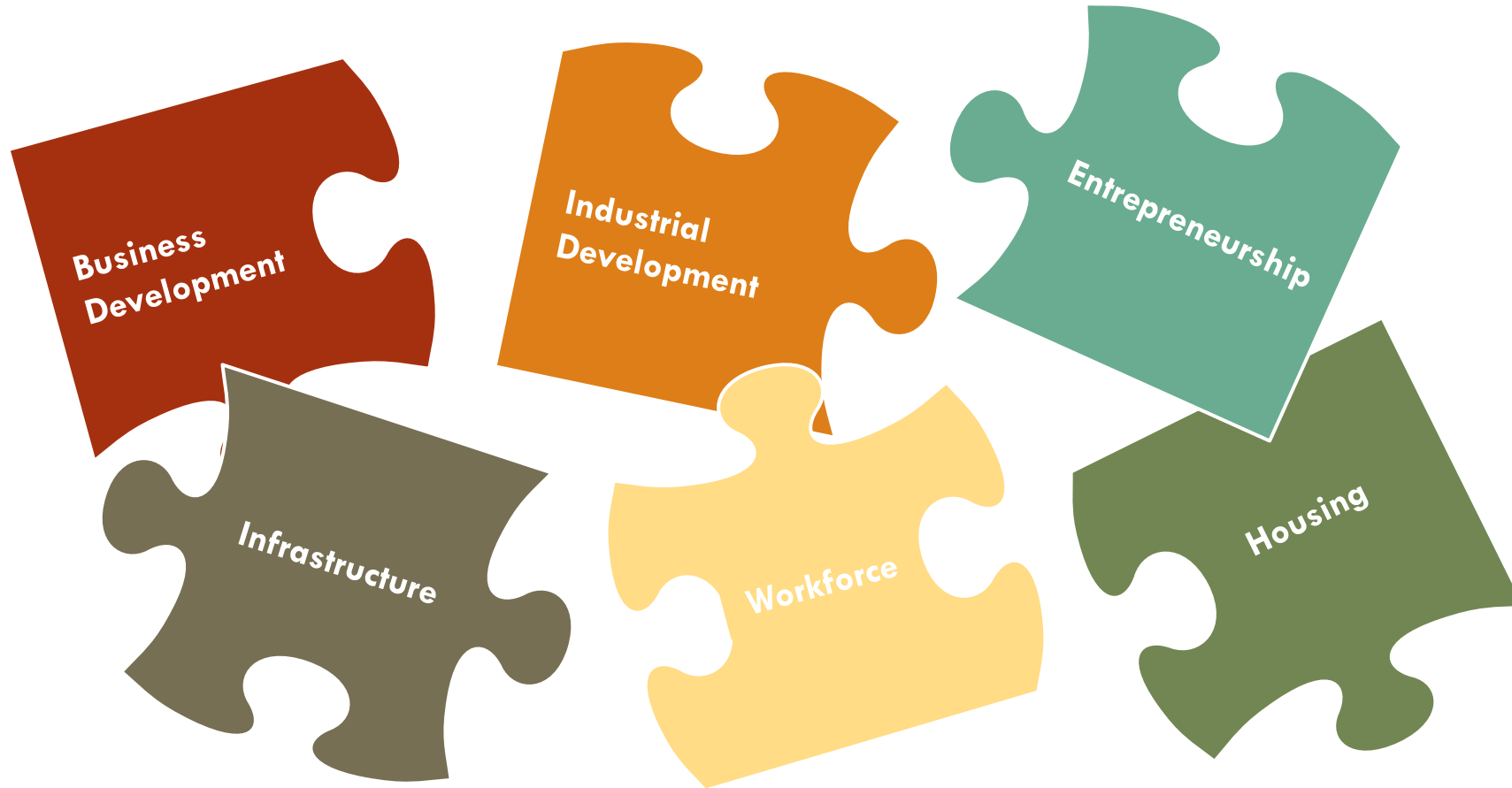
...To New Practices for the Next Economy

Transparent, outside-in, networked collaboration across sectors,
subjects and borders



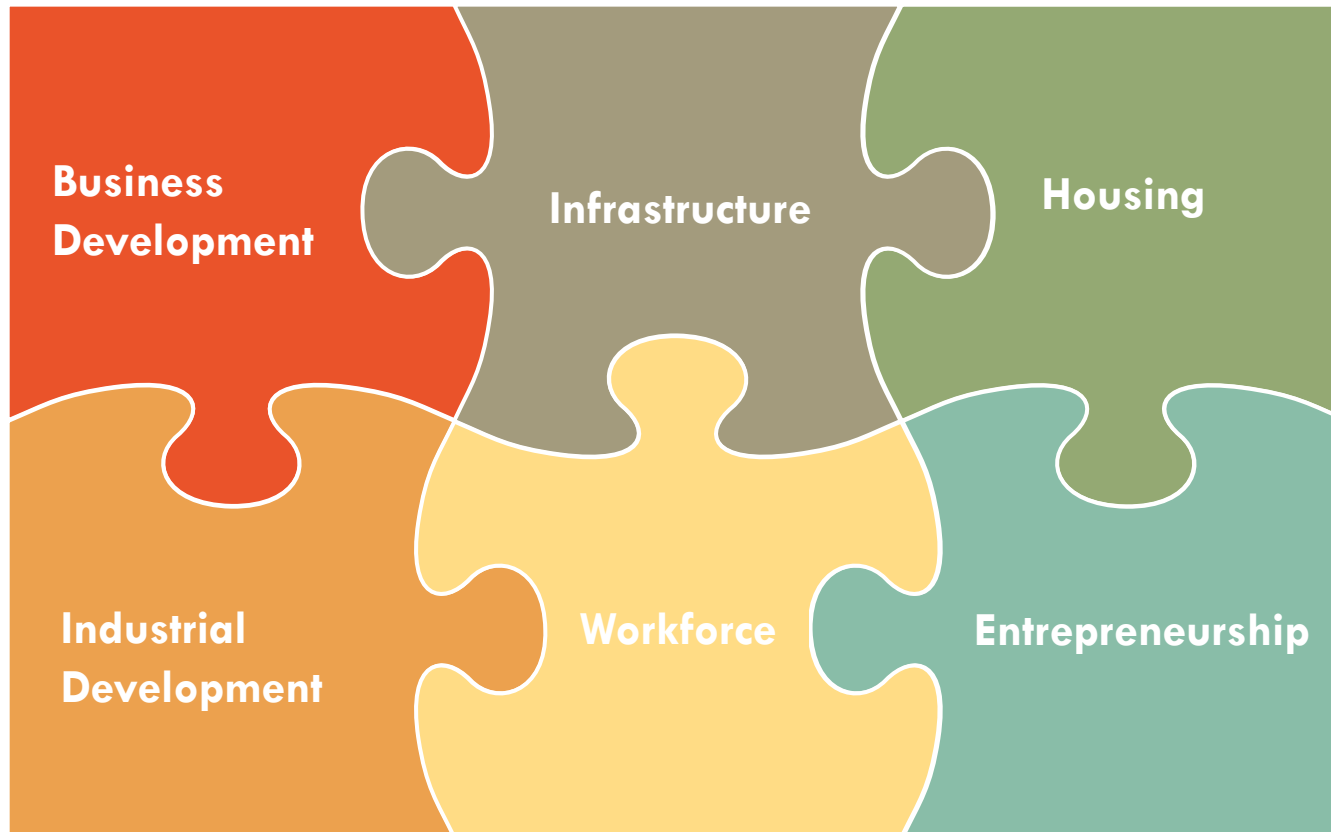
From the “Old Economy”...

Delivering disconnected programs



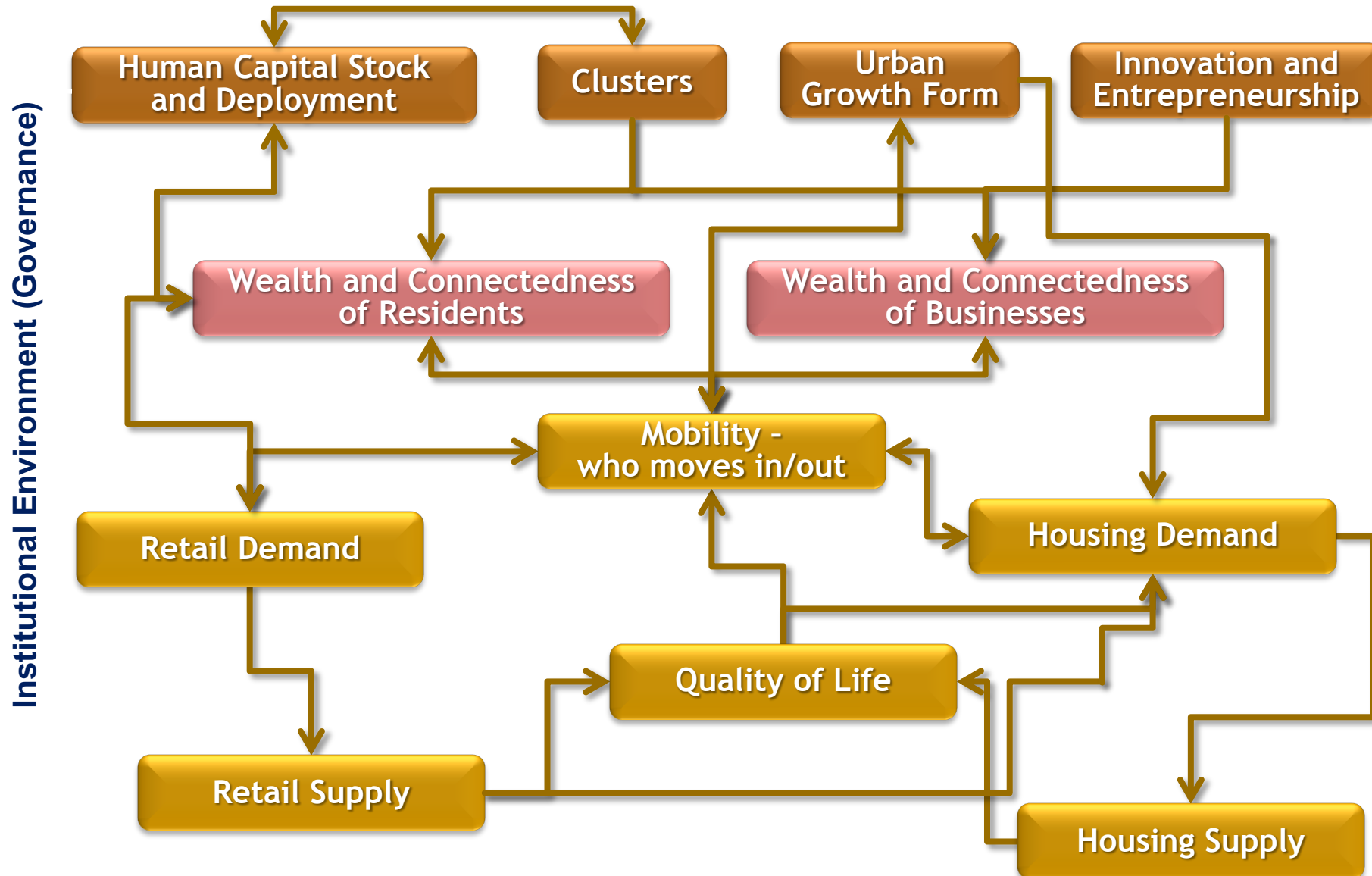
...To New Principles for the Next Economy

Act in context, with integrated solutions

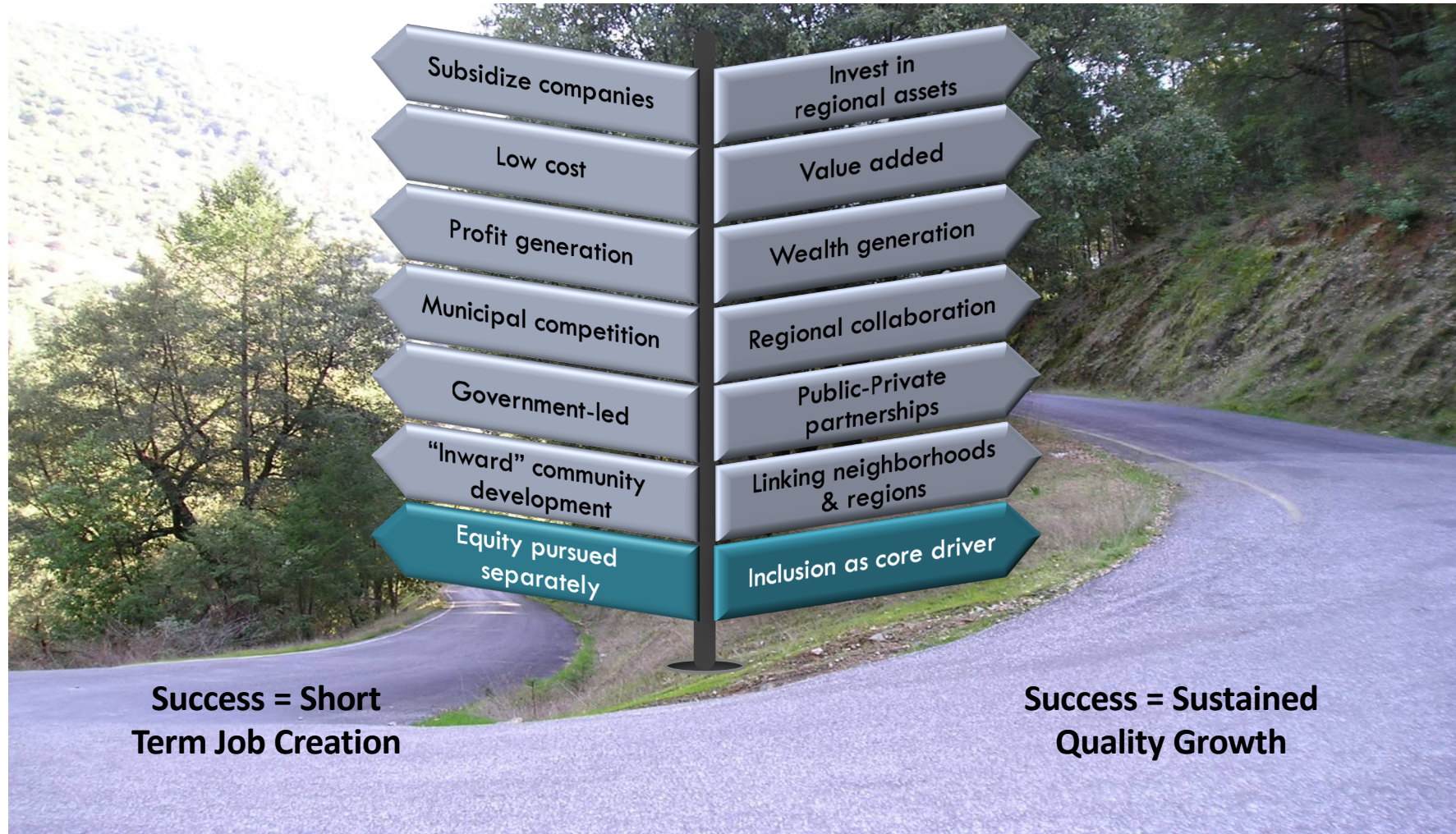


The whole is greater than the sum of its parts

Link Neighborhood and Regional Wealth Creation



New Development Practice to Achieve **Quality Growth**



Emerging Principles of Quality Growth

- **Focus on Value and Wealth Creation**

- Lead with production, not consumption
- Prioritize generating real wealth over short-term profit and shareholder returns
- Limit financialization and rent seeking

- **Develop and Deploy Existing Assets → Market Efficiency and Inclusion**

- Develop a supply chain/lifecycle approach – invest in and continuously upgrade ALL of your assets.
- Make markets work – address market imperfections and externalities to enable all assets to be deployed
- Evolve governance to next economy dynamics – cross-sector, nimble, open, ...

- **Seek Long-Term Growth**

- Compete primarily on value-added rather than low-cost: be the place businesses and workers want to locate and stay because they will be more productive
- Build for future competitiveness - pursue other “high-road” practices that invest in long-run competitiveness

IV

Inclusive Growth is an Economic Imperative

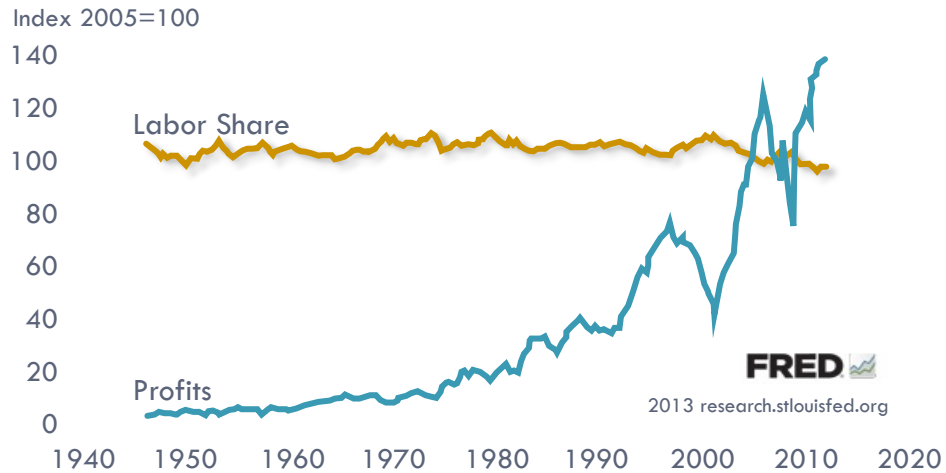
Dimensions of Inclusive Growth

	Why Care	Causes of Exclusion	Fixes
Social	Values	Erosion	Moral Imperative
Political	Democracy and Governance	Corruption of Political System	Political Economy
Economic	Prosperity	Returns to Capital	Inclusive Economic Growth

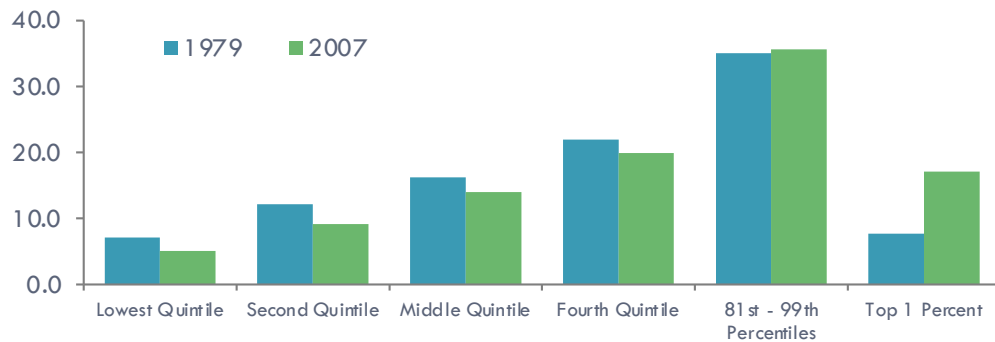
The Inclusive Growth Paradox

Drivers of growth exacerbate inequity

Nonfinancial Corporations Sector



Changes in Share of Total Household Income, 1979 - 2007

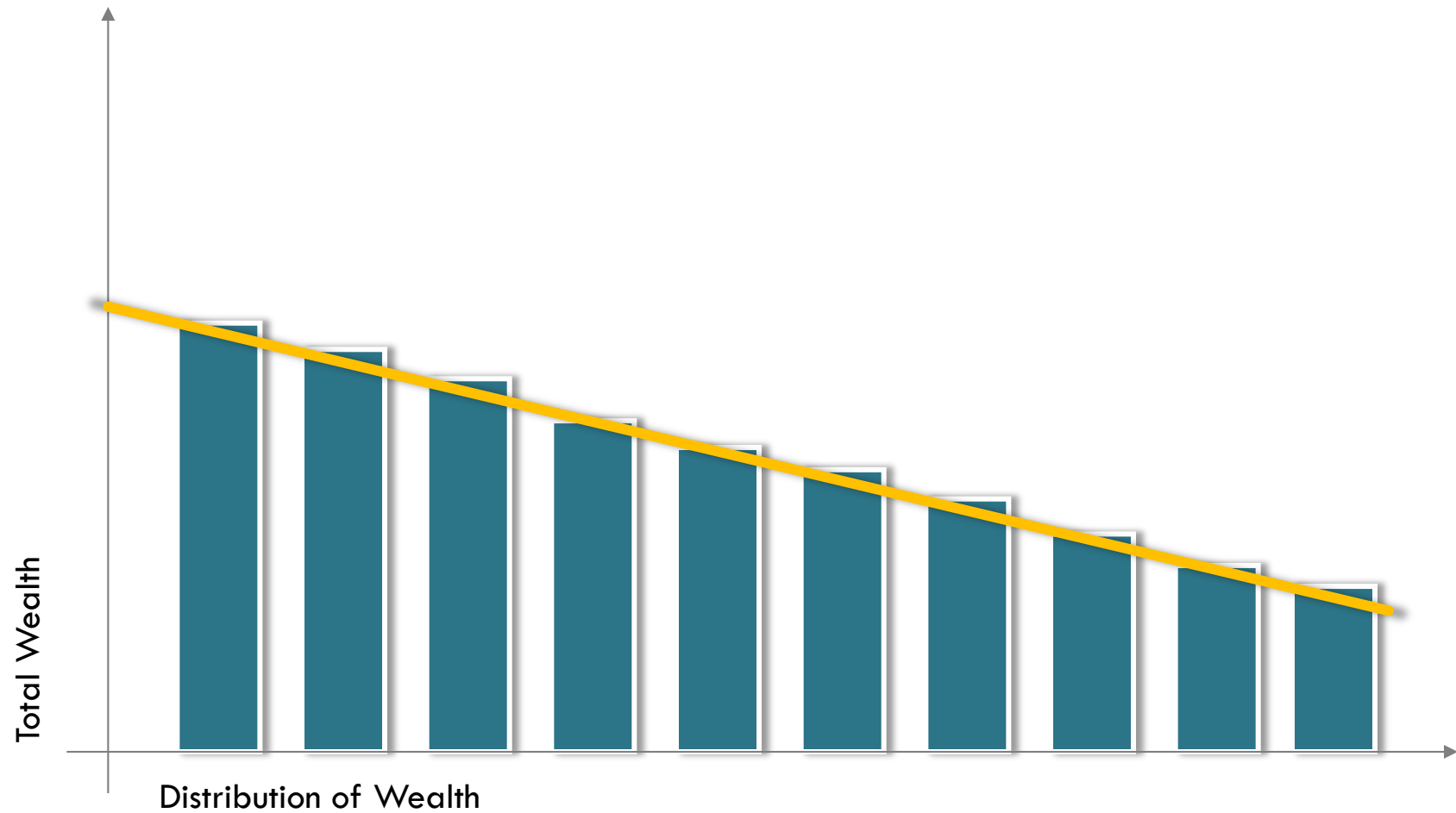


Inequity is bad for growth

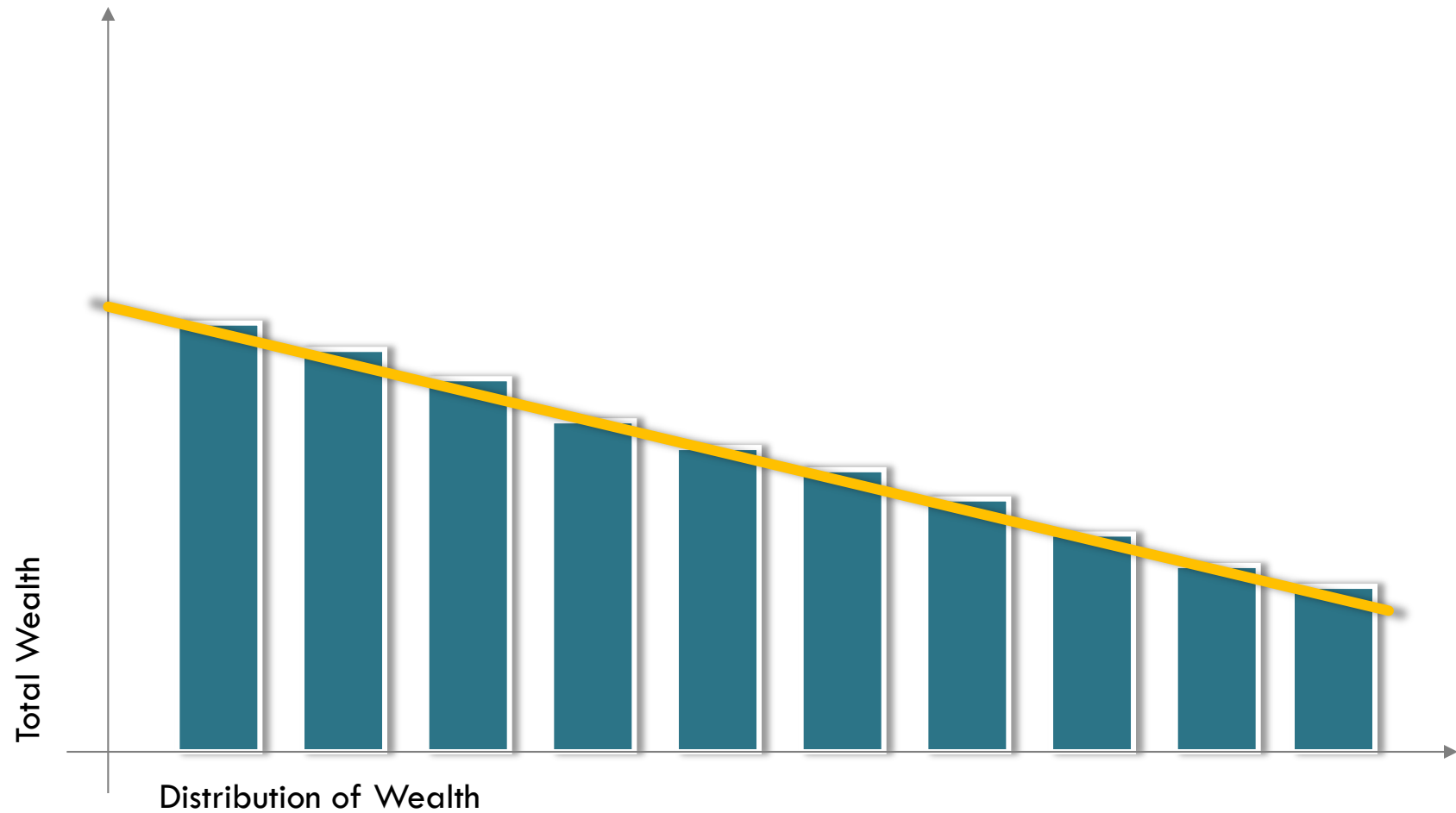


INCLUSION
IS A BUSINESS AND
ECONOMIC IMPERATIVE

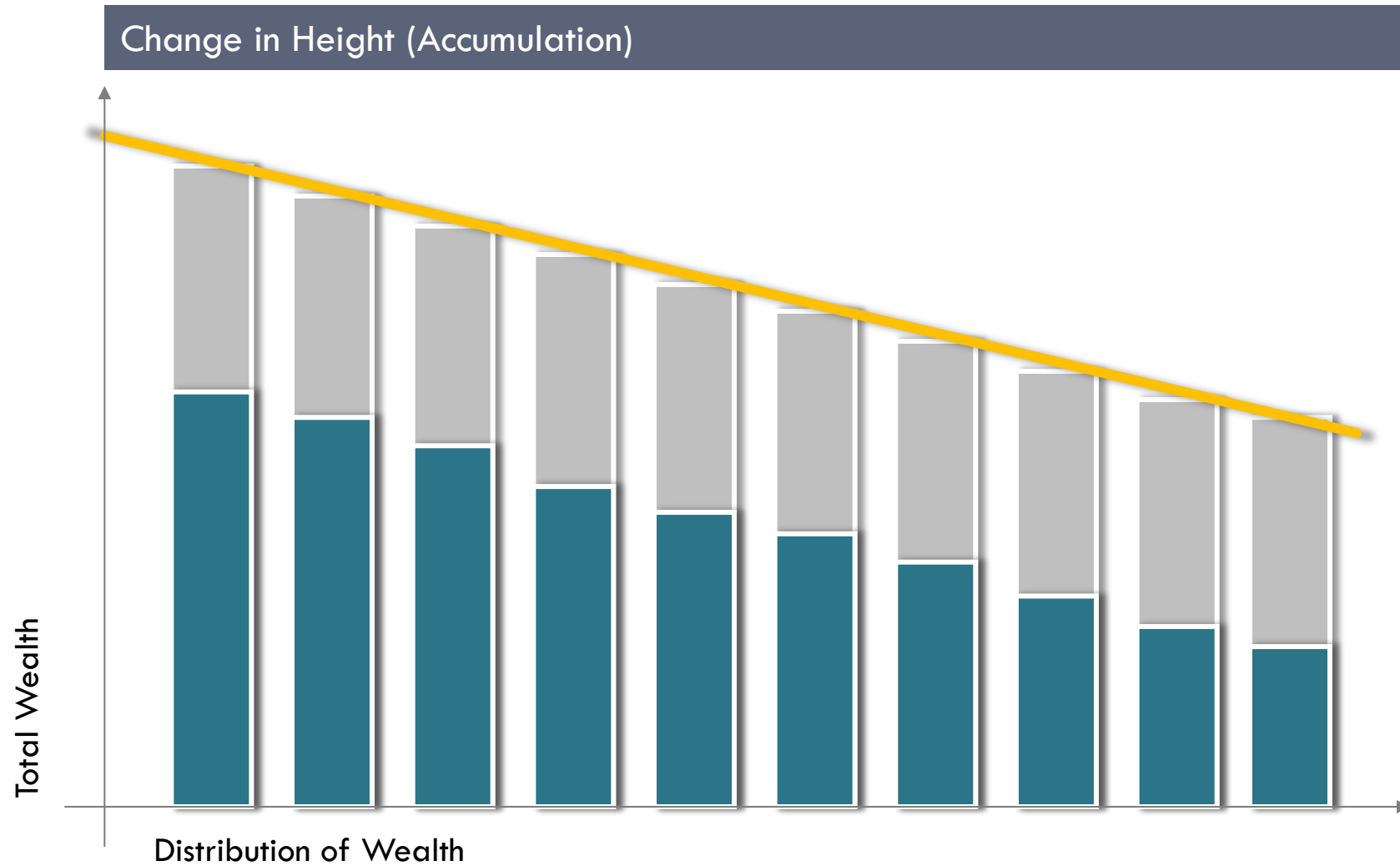
What is Inclusive Growth?



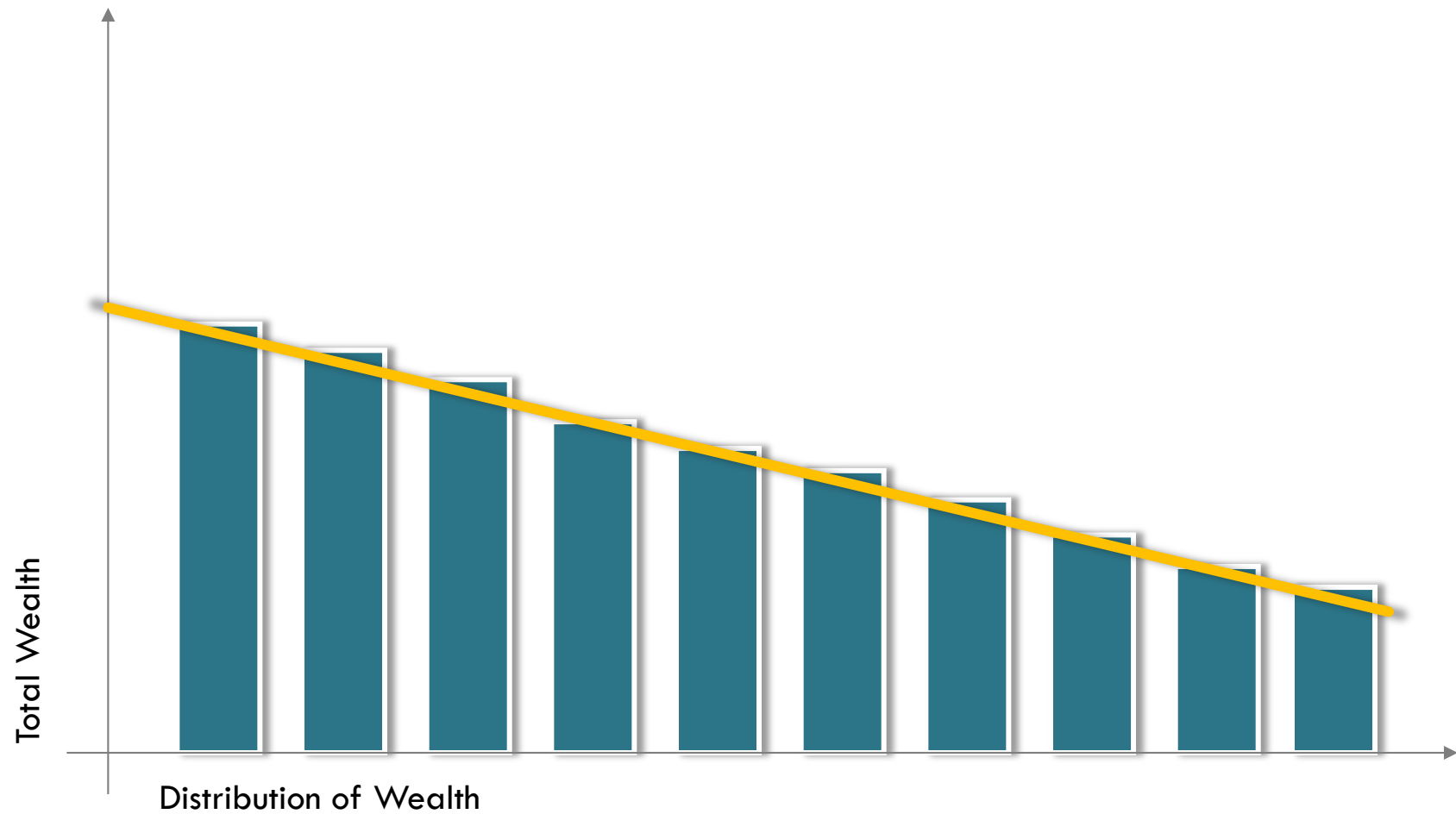
What is Growth?



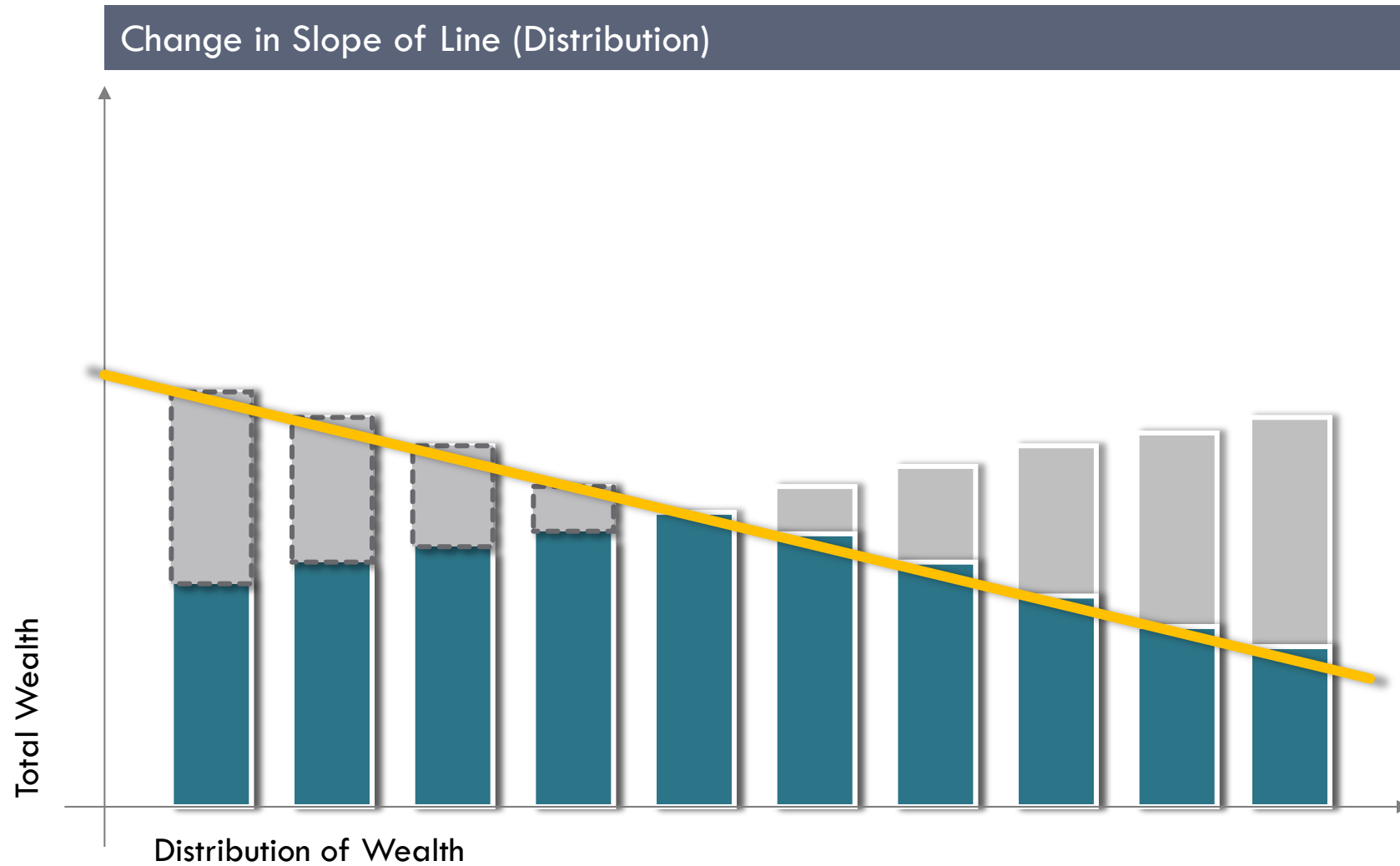
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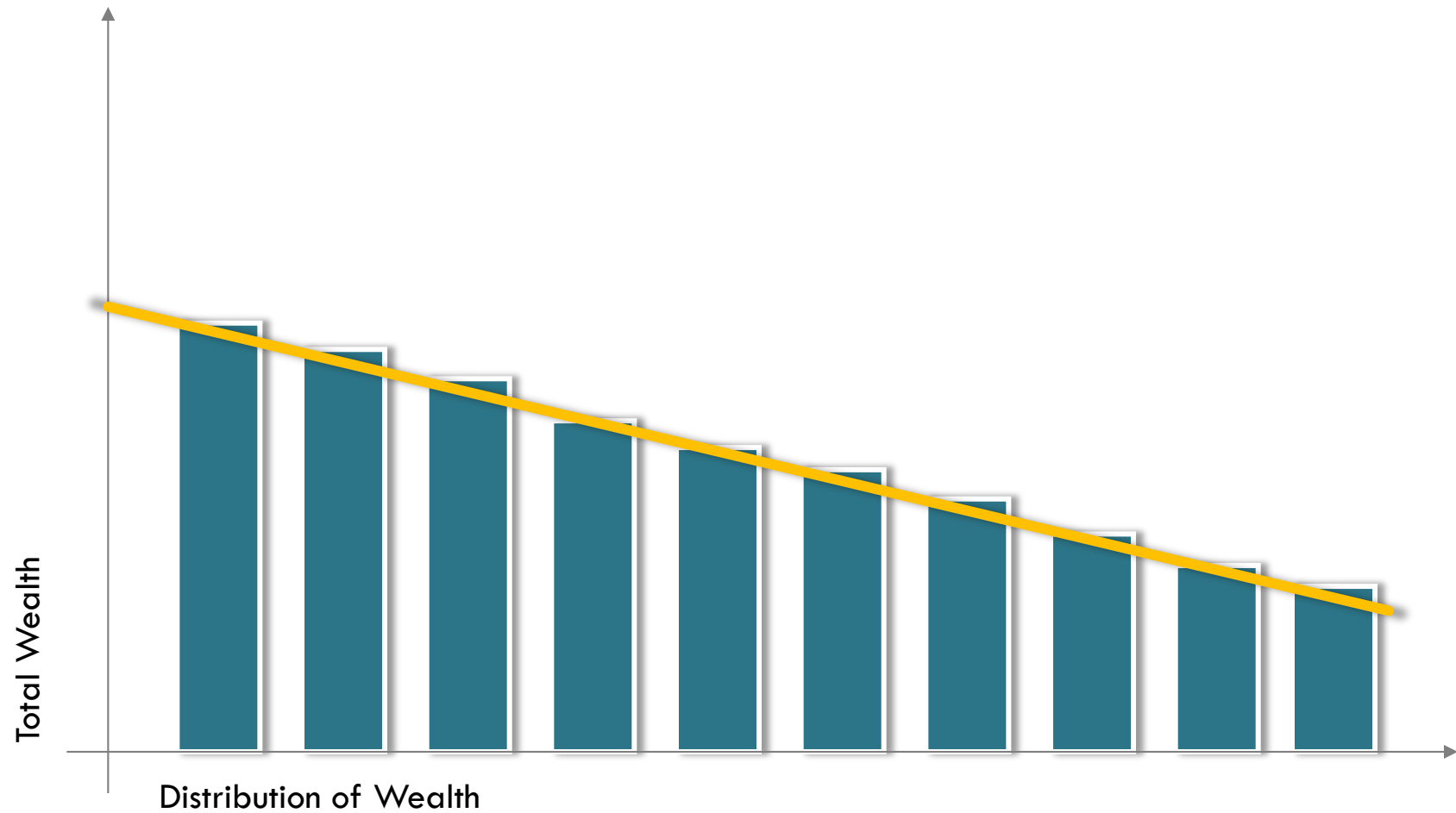
What is Equity?



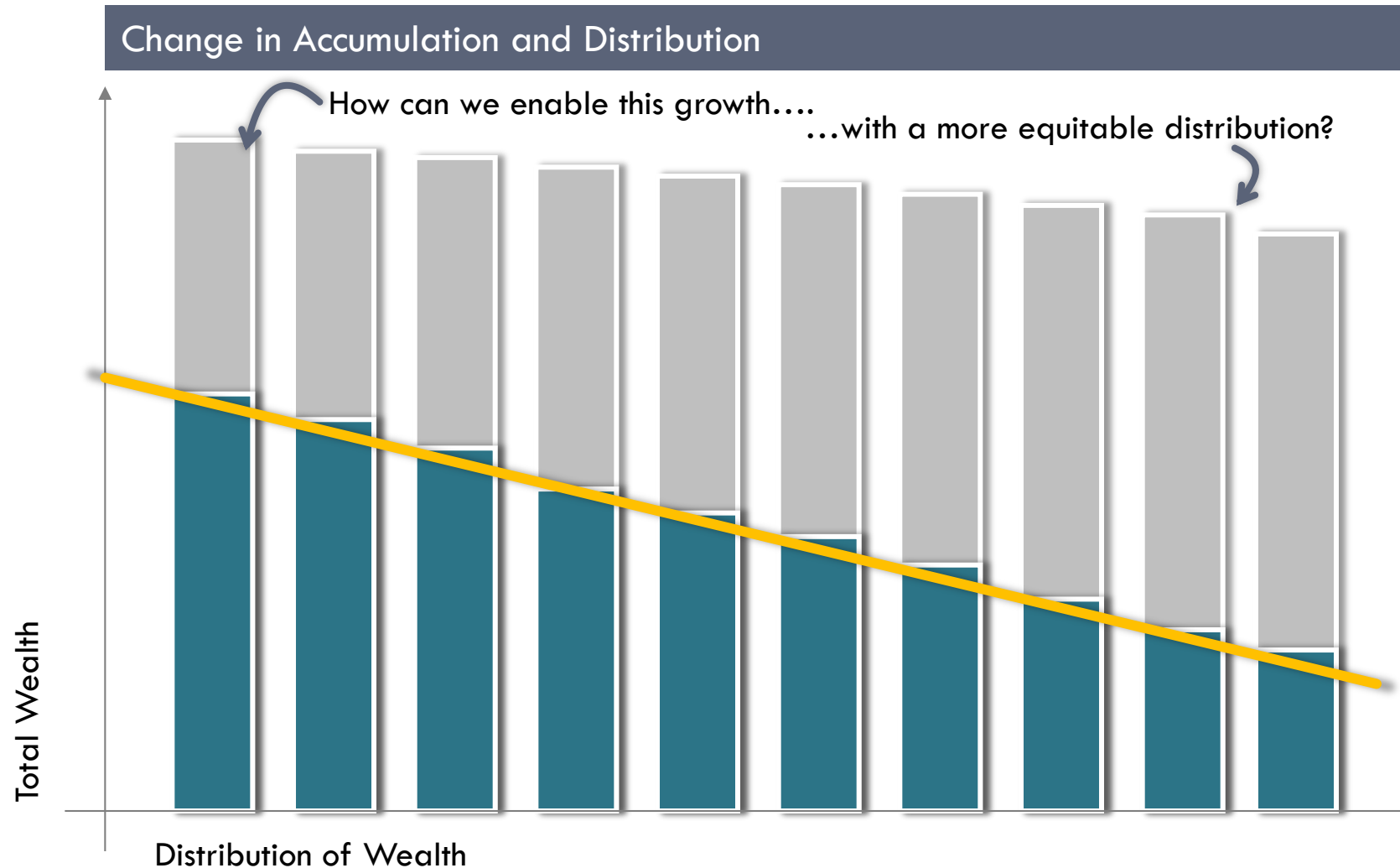
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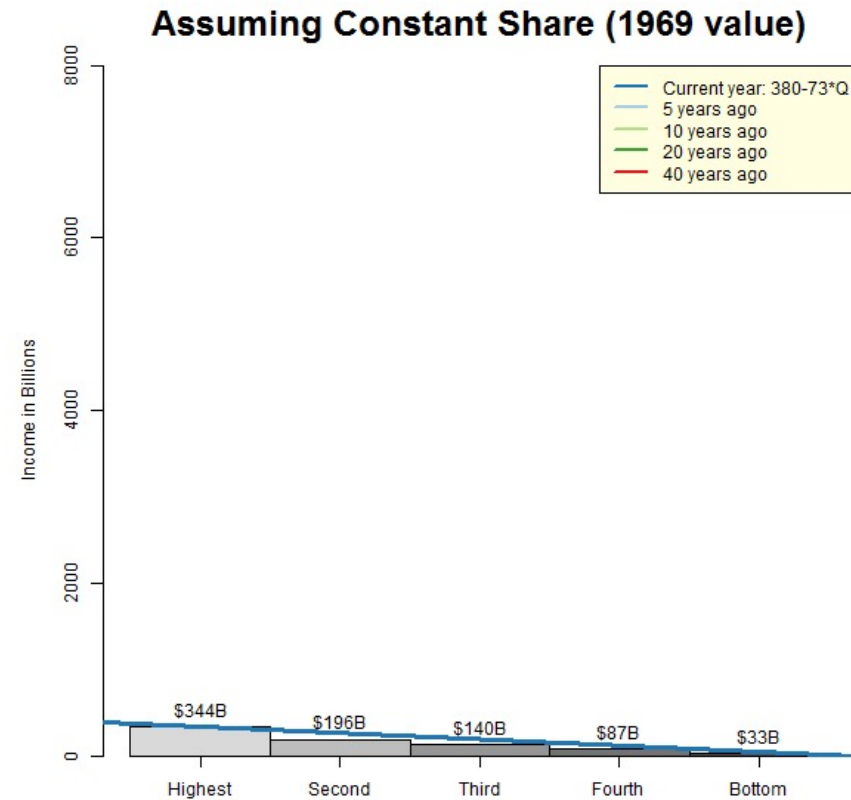
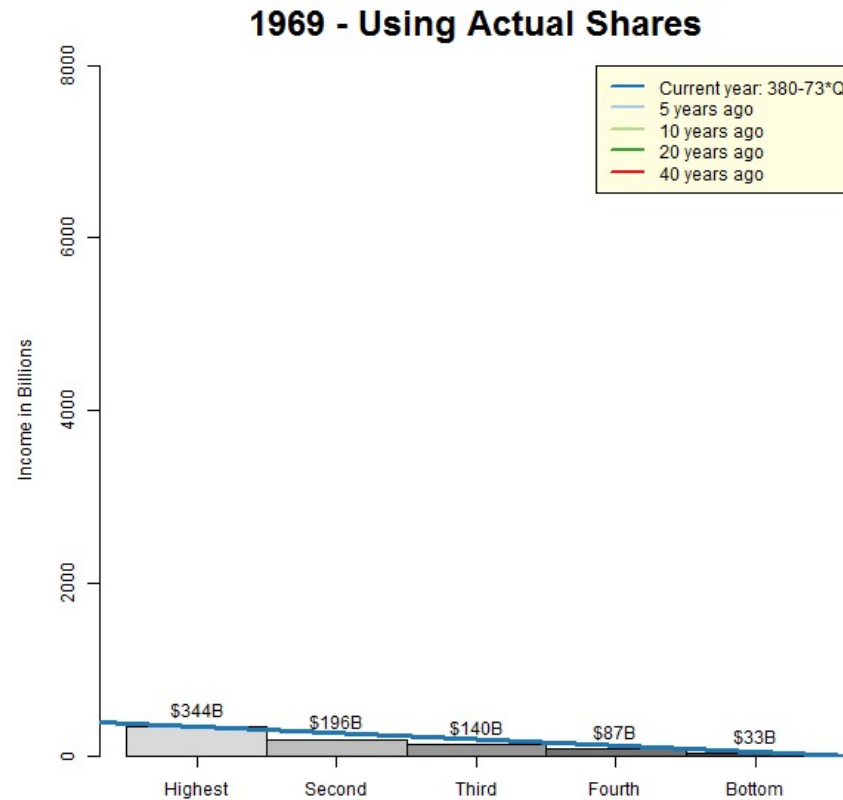
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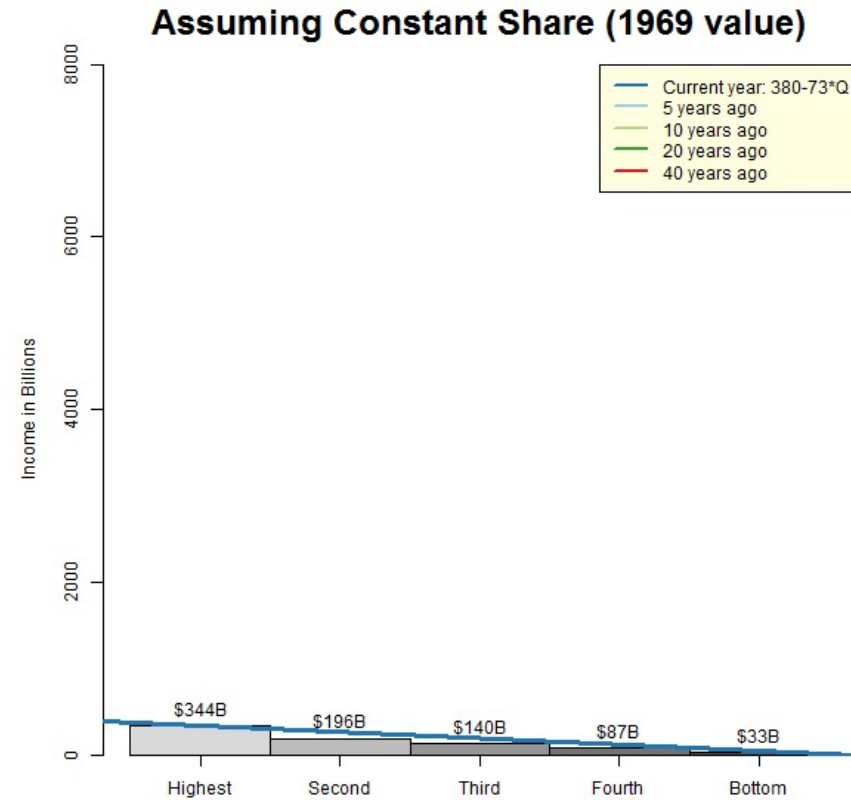
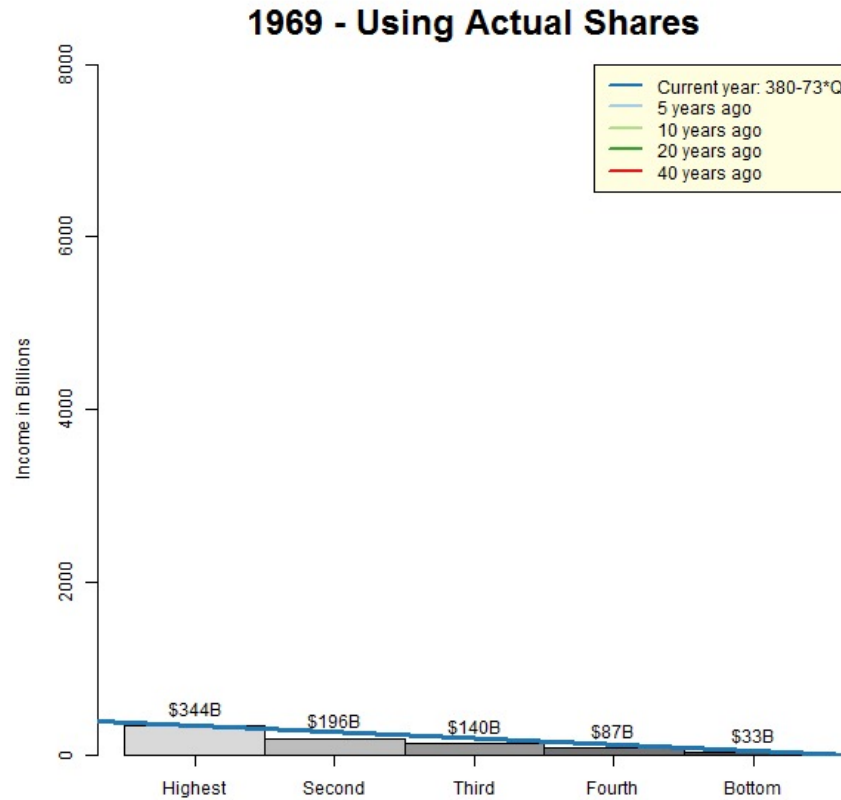
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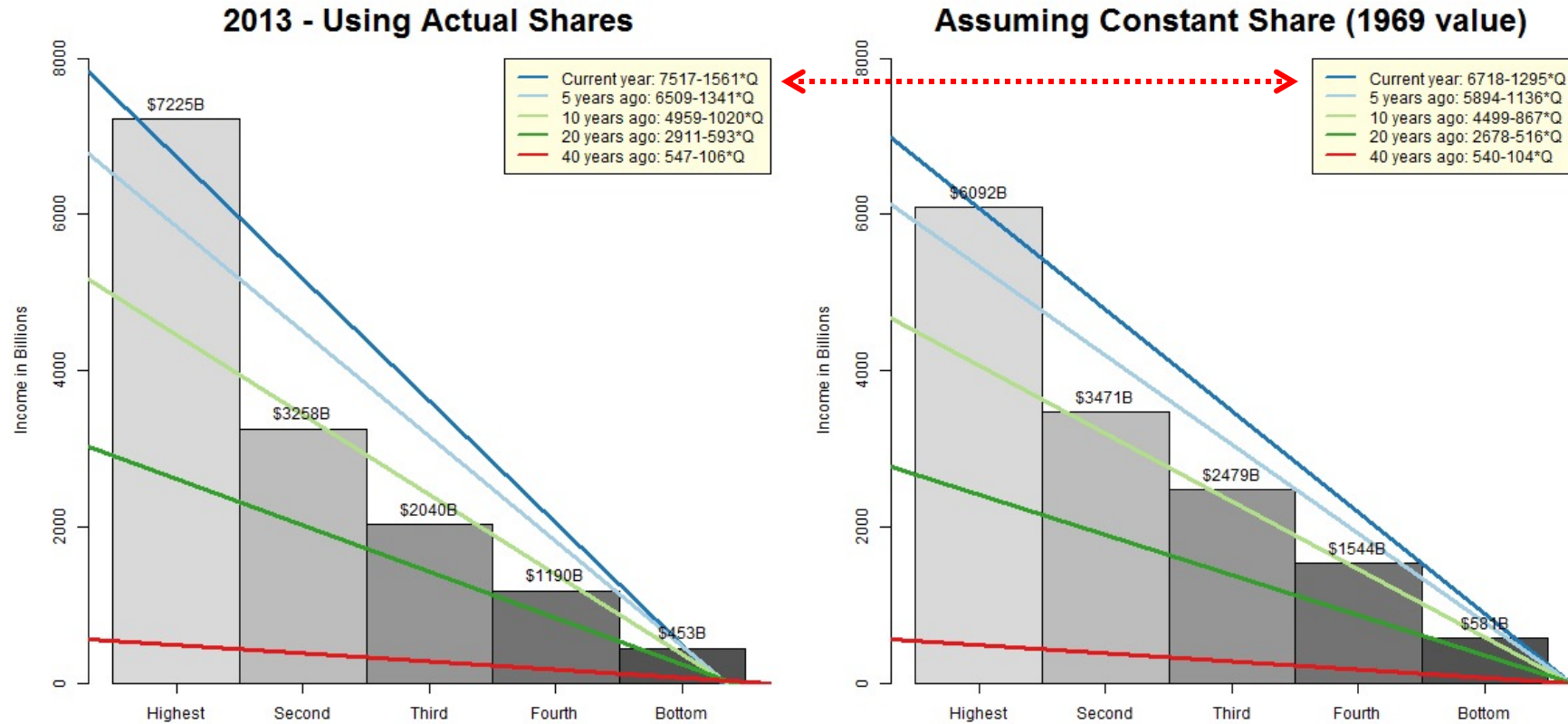
Our Challenge – Aligning Growth and Equity



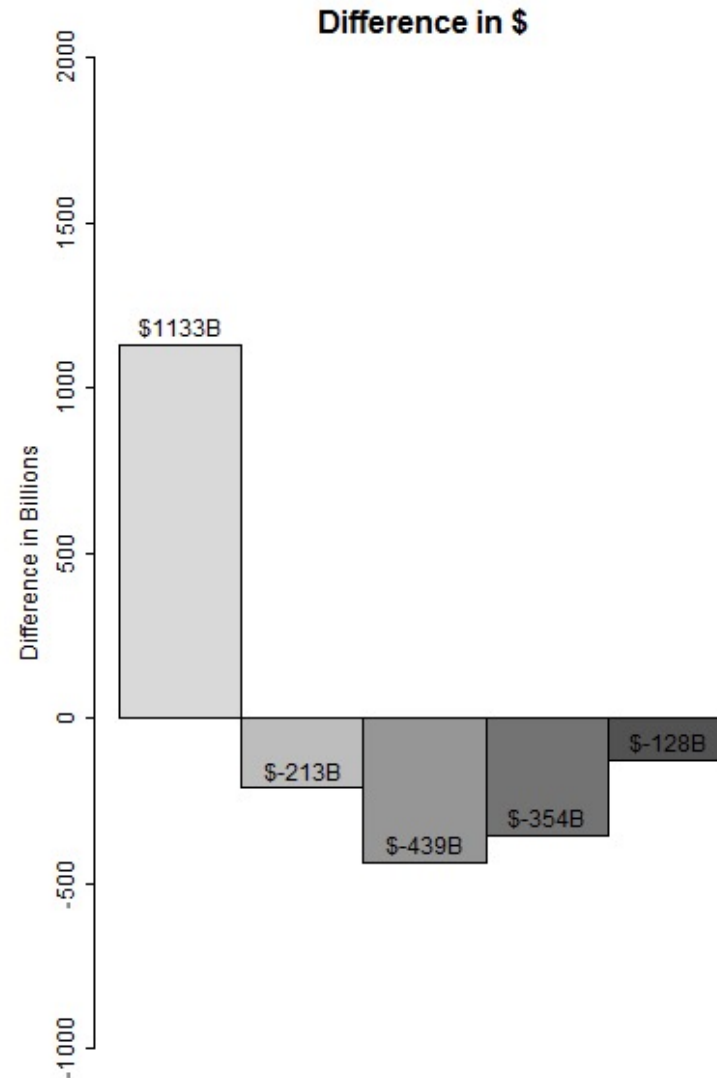
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Our Challenge – Aligning Growth and Equity



“Inclusive Growth” Usages

EQUITY

Help disadvantaged,
independent of growth
(including pre-market
preparedness;
redistribution)



e.g. Workforce Readiness

“RISING TIDE”

Improve outcomes and
opportunity, assuming
that any improvement
produces growth



e.g. MBE Set Asides

GRAB TODAY'S GROWTH

Improve outcomes and
opportunity by
enhancing participation
in growth that is
ALREADY occurring



e.g. Biotech MBE/Workforce

CREATE TOMORROW'S GROWTH

Improve economic
outcomes and opportunity
by positioning
disadvantaged to lead
wealth creation

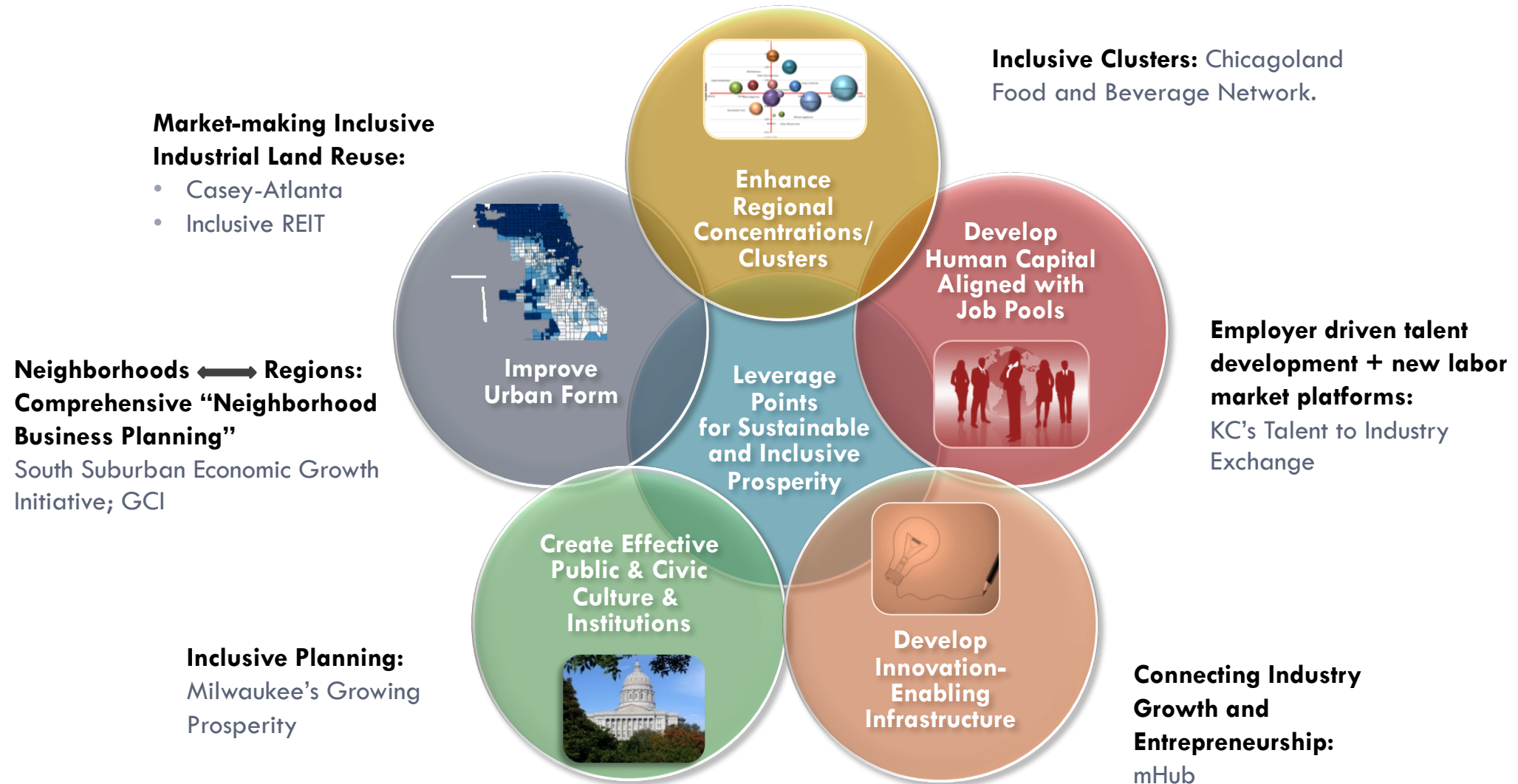


e.g. MBE Urban
Industrial REIT

V

New Inclusive Growth Practice

Emerging New Practice

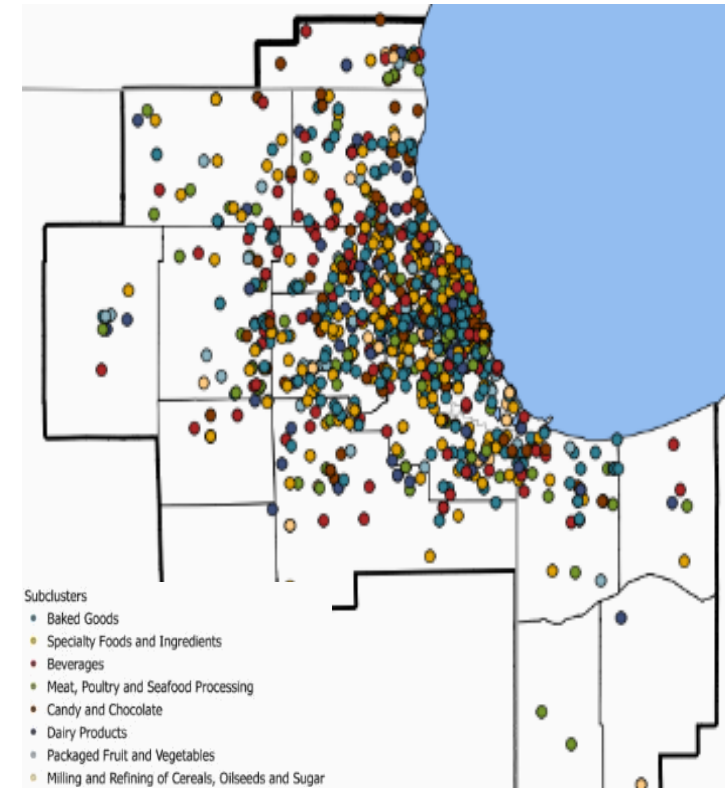
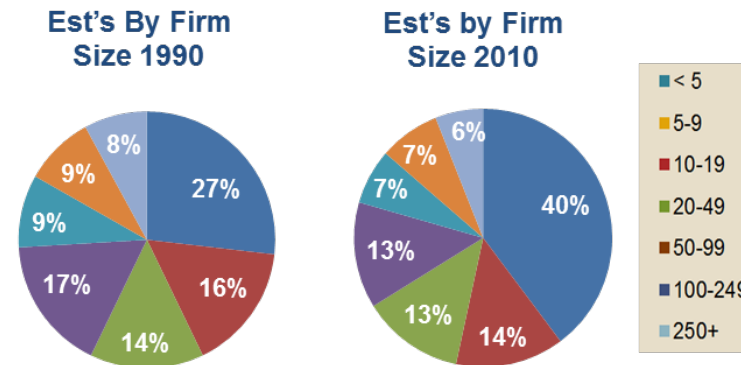
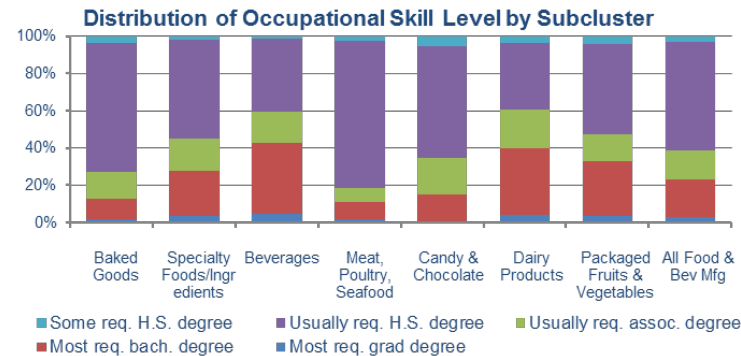


Next-Generation Growth Practice



Inclusive Clusters: Food Manufacturing in Chicago

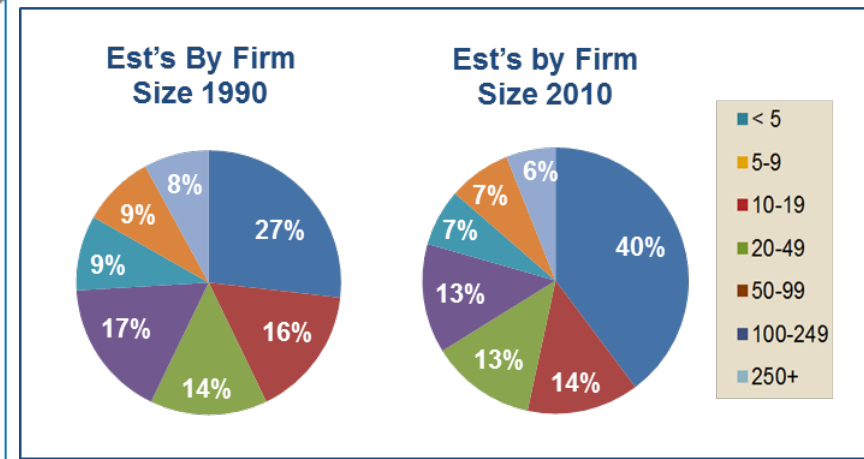
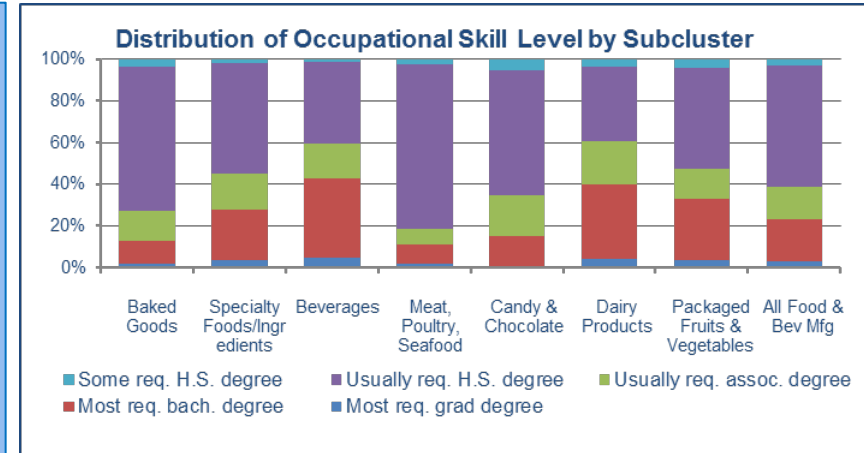
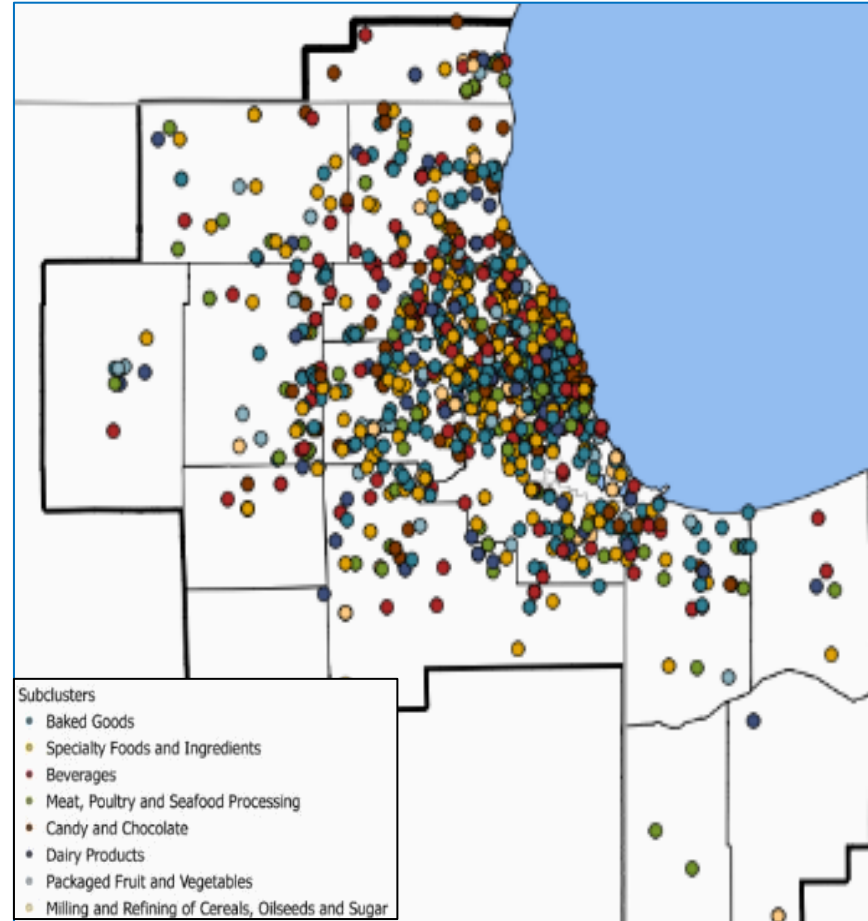
- Food & Beverage a large, crucial part of region's economy:
 - 4,500 firms
 - 130,000 employees
 - \$32 billion in sales
- Major changes in industry (e.g., local, organic, convenience)
- Industry trends, job ladders and locations → inclusive growth opportunities
- Firms' recent performance lagging (e.g., slow productivity gains)



Inclusion can naturally drive growth of food & beverage manufacturing and packaging

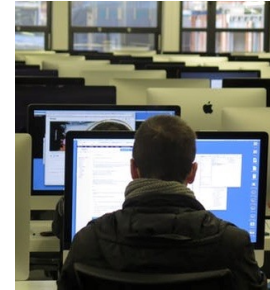
Inclusive Clusters: Food Manufacturing in Chicago

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Inclusion can naturally drive growth of food & beverage manufacturing and packaging in Chicago

Inclusive Clusters



- Launching inclusive growth programs tailored to industry demand:



Industry-driven training curriculum and institute



Minority business venture fund



**Small business innovation
"SWAT Teams"**



Networking and professional development

- Approx. 70 paying members; 1,600+ people from 275 companies attending events

New Workforce Strategies

- U.S. Chamber Talent Initiative
- Sector Councils – Milwaukee 7, MARC (KC) Talent to Industry Exchanges
- First movers emerging – BlackRock, Starbucks, WalMart and others
- **Key dimensions:**
 - “Whole life cycle” supply chain approach
 - Incumbent retention and development
 - Skills scoring and certification
 - New platforms for labor market/skills matching
 - Job-based training

BLACKROCK®

BlackRock Investment Stewardship's approach to engagement on human capital management



When engaging boards on HCM we are likely to discuss:

- Oversight of policies meant to protect employees (e.g., whistleblowing, codes of conduct, EEO policies) and the level of reporting the board receives from management to assess their implementation
- Process to oversee that the many components of a company's HCM strategy align themselves to create a healthy culture and prevent unwanted behaviors
- Reporting to the board on the integration of HCM risks into risk management processes
- Current board and employee composition as it relates to diversity
- Consideration of linking HCM performance to executive compensation to promote board accountability
- Board member visits to establishments or factories to independently assess the culture and operations of the company

When engaging management teams, the topics we may cover include:

- Policies to encourage employee engagement outcomes and key drivers (e.g., wellness programs, support of employee networks, training and development programs, and stock participation programs)
- Process for ensuring employee health and safety and complying with occupational health and safety policies
- Voluntary and involuntary turnover on various dimensions (e.g., seniority of roles, tenure, gender, and ethnicity)
- Statistics on gender and other diversity characteristics as well as promotion rates for and compensation gaps across different employee demographics
- Programs to engage organized labor and their representatives, where relevant
- Systems to oversee matters related to the supply chain (including contingent workers, contractors and subcontractors)

Introducing the

NEW GROWTH INNOVATION NETWORK

MISSION

Build a robust field of inclusive growth practice that drives more inclusive, prosperous regions and their associated rural areas.


GOALS

- Creating a **systematic innovation network** for the field, collectively identifying opportunities and inventing practical solutions to drive inclusive growth;
- Providing **sophisticated technical assistance and finance** to support testing, improving and replicating new product, process and enterprise innovations to support inclusive growth;
- Becoming a center of gravity for **thought leadership**, contributing to a growing field of practice with an increasingly sophisticated understanding of the economics and the practice of inclusive economic growth.



Principles from Leading Inclusive Growth Practice

- **“It’s the Economy,”** Focus on wealth creation opportunities and how underutilized assets can participate in, drive and own the new value creation.
- **“Skate to Where the Puck is Going to Be.”** It’s the next economy. Stop programming which moves the disadvantaged into old economy jobs and industries.
- **Act in Context.** Activities & geographies succeed or fail in context of each other. Activities need to be aligned, integrated & mutually reinforcing.
- **Inclusion is Not a Separate Economic Practice.** It’s an intentional, integral design principle for every growth activity.
- **New Civics.** Embrace new -- inclusive -- cross-sector partnerships, networks, and institutions to inform and implement the work.



DISCUSSION



Inclusive Growth in the Next Economy

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Integrated Strategies Across Levers to Create Communities of Opportunity and Choice

Communities of Opportunity

Develop and connect
business, human capital, real
estate, other assets into
larger markets

Communities of Choice

Offer goods, services &
amenities to attract & retain
residents

Inclusive
clusters



Aligned human
capital
investment

Business
development
& finance



Innovative
industrial
developments

Housing



Retail



Amenities

