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Authors

Chapple, Karen

Schmahmann, Laura

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Commentary for EDQ

Can we "claim" the workforce? A labor-focused agenda for economic development in the face of an uncertain future

Karen Chapple and Laura Schmahmann

Abstract

The shock of the Covid-19 pandemic accelerated three trends that were already transforming economic development theory and practice. First is a backlash to the inequality and restructuring driven by globalization and technology, which is now manifesting in the reshoring and union movements. Next is the resurgence of small and mid-sized cities, originally driven by the increasing housing costs in coastal cities but reinforced by the experimentation in remote work during the pandemic. Finally, the complexity and uncertainty of today's economy are exacerbating long-term challenges with tracking economic change, making "shoot anything that flies" (Rubin, 1988) more important than ever. All three trends point to the need to focus economic development strategies on building and supporting the workforce. Today's economic developers have their work cut out for them; but we are not preparing them well for the new challenges and opportunities in a labor-focused agenda.

I. Introduction

In just the seventh issue of *Economic Development Quarterly*, Herbert Rubin explored how economic developers work under conditions of uncertainty (Rubin, 1988). He argued that the uncertainty results in system bias, or a consistent tendency to favor business interests. To achieve their work goals, they must "shoot anything that flies; claim anything that falls." In the face of uncertainty, economic developers rely on their day-to-day relationships with local businesses, making concessions that further business goals in exchange for the ability to claim credit.

The shock of the Covid-19 pandemic has reminded us that we continue to operate under conditions of uncertainty – and we must be nimble in order to leverage the opportunities that arise. The opportunities are in fact many: the reshoring and union movements, the rise of remote work and resurgence of small and mid-sized cities, and the availability of new data and analytics. But for economic developers, the landscape has grown considerably more complex. Instead of local businesses, their targets must now be workers – not only the self-employed entrepreneurs and the remote employees of big tech and other high-end service firms, but also those needed by manufacturing, retail, construction, and service firms.

In this essay we outline the challenges that lie ahead in terms of economic and metropolitan structure, as well as the use of data and analytics to understand change. We argue that the "claim anything that falls" approach may not, in fact, work well for economic developers any longer, if it means simply capitalizing on business successes. This suggests a renewed focus on both quality of life and workforce development, neither of which will be the easy win of days past.

II. Economic restructuring, again

Setting the stage for today is the economic restructuring that occurred during the 1970s and 1980s, which opened up investment and territorial development on a global scale, facilitating an offshoring of production from the Global North to the Global South to reduce input costs (Bell, 1999; Walker & Storper, 1989). The shift away from domestic manufacturing in the US, was accompanied by the establishment of a 'New Economy' in which value is placed on the exchange of knowledge. Focusing on the labor market, the spread of neoliberal policies during this period of restructuring led to a rollback of institutional protections and "an individualization of risk" (Kalleberg, 2018). Sectors that have flourished include professional services, finance and insurance services and the tech economy which, despite advances in technology, largely rely on face-to-face contact (Moretti, 2013; Storper, 2013). A focus on economic development research over the last 20 to 30 years has been understanding why particular regions and cities have forged ahead while others have been left behind. The tech economy–dominated by the Big Five (Alphabet, Amazon, Apple, Meta and Microsoft)–is typically considered a major engine of economic growth for 'successful' cities and regions. The implications of regional divergence should not be dismissed. A 'fear of being left behind' and the 'revenge of the places that do not matter' has fuelled political polarization and the rise of populism (Rodríguez-Pose, 2018).

The Covid-19 pandemic has exacerbated existing inequalities and social divisions within our societies. In March 2020, stay-at-home orders led to a widespread shift to remote work, particularly for professional service and tech workers. While these workers were able to easily undertake their work remotely, from the safety of their homes, workers employed in health care and service industries faced an increased risk of exposure to Covid-19, and workers were laid off across several industries, such as retail and personal services, due to restrictions on the operation of these sectors. Covid-19 has had disproportionate impacts on both workers and businesses. While the Big Five tech companies have experienced increased profits, particularly Amazon which has benefited from the growth of online shopping (Ovide, 2021), many small 'bricks and mortar' businesses have suffered financial losses, and potential permanent closures, with women-owned and black-owned businesses particularly hard hit (see Bloom et al., 2021; Fairlie, 2020; Fairlie et al., 2022).

A political push to 'reshore' or 'backshore' manufacturing, particularly in the United States and the United Kingdom, has been heightened by the supply chain constraints experienced during the Covid-19 pandemic as well as broader geopolitical tensions with China where a substantial portion of manufacturing was offshored to since the late 1970s. Alongside supply chain constraints, the momentum to revitalize domestic manufacturing is also driven by a political narrative to bring back the 'good jobs' for middle-class Americans in response to a widespread polarization of employment. Manufacturing job growth has not only recovered but has exceeded pre-pandemic levels, with the industry adding more jobs than it is losing (Tankersley et al., 2022). As of August 2022, manufacturing jobs have increased to 20,000 jobs above the most recent peak in July 2019 (U.S. Bureau of Labor Statistics, 2022). However, manufacturing lags behind other industries with the three largest growth sectors over the last two years being professional services, transport and warehousing and retail trade (U.S. Bureau of Labor Statistics, 2022).

In the wake of the Covid-19 pandemic, we have seen substantial government investment in economic recovery. The Infrastructure Investment and Jobs Act will fund investment in physical infrastructure and

the Inflation Reduction Act, passed by the U.S. Congress in August 2022, includes a $390 million investment in clean energy and climate change mitigation over 10 years which will promote job creation (Hammerling, 2022; Popovich & Plumer, 2022). At the regional level, the U.S Economic Development Administration introduced the Build Back Better Regional Challenge, a place-based economic development program, which is intended to strengthen regional industry clusters, support local economic development in underserved communities (Parilla & Muro, 2022) and create 'good jobs' (U.S. Economic Development Administration, 2022). In California, the Community Economic Resilience Fund was created to support "new plans and strategies to diversify local economies and develop sustainable industries that create high-quality, broadly accessible jobs for all Californians" (California Office of Planning and Research, 2022).

Recent efforts to unionize have been occurring across many of the Big Five tech firms where there is a clear two tier system between the high-wage tech workers and the low-wage essential service workers (including subcontracted workers). Warehouse workers at Amazon and cafeteria workers at Google (De Vynck & Gurley, 2022) are two recent examples of unionization efforts which have received substantial media attention. Cafeteria workers, janitors and shuttle drivers employed by Meta (Facebook) have protested layoffs and union-busting (Rebosio, 2022). While there is a high profile union movement currently occurring within the United States, union membership has continued on a downward trend since labor market deregulation in the 1980s (Johnston, 2022).

A tight labor market is putting pressure on wages and contributing to inflation and this remains a major challenge for economic development. In the wake of the Covid-19 pandemic, recent labor shortages in low-wage occupations have been attributed to changing attitudes of workers towards work, particularly where their work has become riskier due to exposure to the virus (Ip, 2022). A new "quiet quitting" movement has received attention in the media, where workers have become somewhat less engaged within the workplace or more broadly reevaluated their priorities and stopped overextending themselves in the workplace (Ellis & Yang, 2022). Workers are demanding better working conditions and a better quality of life.

Economic development needs to embrace the turn towards workforce development, including improvements in job quality, particularly for low-wage jobs, providing benefits beyond 'just' wage increases which improve the nature of the job, uplift workers voices, provide longer-term economic security and support participation in the workforce, particularly for women and people of color, through child care and other supports.

III. Transformation of metropolitan structure

If 2010 launched the decade of the innovation hub (Moretti, 2013), 2020 marked the beginning of its demise. The concentration of Big Tech in just a few locations (led by the San Francisco Bay Area, Boston, Austin, Los Angeles, Seattle, and Washington D.C.) came with unsustainable externalities: new low-wage service jobs, traffic congestion, and most of all, a spike in housing prices that pushed homeownership out of reach for all but the tech workers. Tech job growth began to spill over into second-tier cities such as Salt Lake City, Boise, Denver, Columbus, and others (Bloom et al., 2020; Muro & You, 2022).

The Covid-19 pandemic not just accelerated this exodus but transformed it. Remote work, already deployed occasionally at many large companies due to commuting challenges, became normalized for sectors from financial and professional services to government and education. Even as school teachers and others came back to work on site after a year, employees in information-intensive sectors delayed their return and seem likely to spend two or three days per week at home permanently (Bloom, 2022).

Where does work from home take place? Early assessments of the shift in New York and other cities suggested that a surge of activity is taking place in small cities and exurban areas (Brynjolfsson et al., 2020; De Fraja et al., 2021; Schmahmann et al., 2022). The recent (2021) Canadian census confirmed that the most rapid growth is occurring at the periphery of metropolitan regions (Statistics Canada, 2022). Across North America, small- and mid-sized cities are the beneficiaries of the exodus, with some even offering remote workers a bonus to resettle (Florida et al., 2021). With the need for extra space for the home office, low-density suburbs are as popular as ever (Ramani & Bloom, 2021).

As a result, commercial office space has emptied out. Commercial occupancy rates generally follow the business cycle, but this time the impacts are not uniform across geographies: both older suburban office parks and downtown offices have lost businesses, while other suburban employment centers seem to be doing fine (Badger, 2022; CBRE, 2022). The composition of the economy drives the difference, at least for downtowns; a recent study of the 62 largest North American metros finds that overconcentration in professional, scientific, and technical sectors, as well as information, is associated with slower recovery, while public administration, education, and manufacturing jobs bring workers back (Chapple et al., 2022). Cities with strong tourism or arts and entertainment sectors, such as New York and San Diego, are nearly back to normal in terms of activity. Another key factor is transit and commute time; cities with greater transit share or longer average commutes see more workers staying home for work.

This variation by sector suggests an opportunity to strategize about economic development. Cities could intentionally diversify their downtowns by steering public agencies to vacant buildings, attracting arts and touristic establishments, and incentivizing other sectors with little work-from-home to relocate (Rayasam, 2021). Thus far, however, cities have been slow to act, resorting instead to cosmetic measures that enliven downtown space such as making parklets permanent (Chapple, 2022).

At the same time, small and mid-sized places will need to ensure that their good fortune is sustainable. Retaining the high-skilled talent that arrived during the pandemic will first mean enhancing local quality of life, from public services to arts and culture. Then, cities may need to develop new economic opportunities that support workers over their career transitions, for example, offering entrepreneurship training. Remote workers will also be looking for connectivity to major metros, requiring infrastructure investment from broadband to airports.

Researchers (and increasingly, data journalists) have turned to a variety of data sources to track migration and mobility patterns between and within metros. Yet, the long-term implications remain opaque, and research is needed to help assess whether these patterns represent meaningful shifts in preferences or simply emergency, temporary measures.

IV. Economic development under uncertainty

The availability of new data and analysis has made it possible to track the recent shocks to economic and metropolitan structure. Yet, even as we gain new tools, the future is ever more uncertain and difficult to predict. From weather to inflation to the stock market, past patterns are not predicting the future, complicating the design of interventions. Even though big data makes it possible for us to track the flows of capital and people at a micro level, it misses critical details needed to make equitable decisions: for example, we know a lot about the cars driving around, but very little about the socio-economic characteristics of their occupants. To address this, we join multiple datasets on individuals. But despite the good intentions of researchers studying issues like how to improve health and economic outcomes, the new datasets raise issues of data privacy, governance, and representativeness (Kitchin, 2014; Skinner-Thompson, 2020).

Even as we trumpet the possibilities of big data, much remains unpredictable or invisible, particularly with regard to the workforce. We can count the number of people at work, sense activity on streets, and track the amount of Covid-19 infection in wastewater, but still know little about current or prospective labor force attachment. Researchers can identify the specific role of Covid-19 stimulus payments in disincentivizing work (Falcettoni & Nygaard, 2020), but their findings say little about what will make workers want to return. Of course, we have never been able to predict the effects of economic shocks or transformation reliably. But new complexities, from the rise of financialization to the pandemic-induced global financial and mental health crises, complicate understanding the economy. Perhaps as a result, we are awash in contradictory indicators. Interest rates are increasing and we are potentially on the verge of a recession, yet we are at full employment. Gross domestic product is declining while gross domestic income increases (Harris & Mehrotra, 2022). Consumer confidence is low and the stock market is tanking while spending is high and manufacturing orders are up.

Economic developers from site location specialists to management consulting firms to city staff have embraced the availability of new data and analytics to track the economy. As workers flee high-cost metros and firms return to friendly shores, local jurisdictions are leveraging data to tell their story – and "claim anything that falls" (Gaffney, 2022). But the hard work of building productive and innovative local economies that boost long-term prosperity remains.

V. Conclusion

The Covid-19 pandemic has accelerated numerous existing trends, including the slowing of globalization, the growth of Big Tech, the rise of remote work, and the embrace of big data. It has also led to some outcomes that were not predicted by scholars, such as the decline of downtown and slowing of the "back to the city" movement, as well as questions about the future of work that are less focused on automation or the gig economy than the desire to work at all. Overall, the U.S. is seeing opportunities arise in unexpected places, from geographies like small cities to sectors like manufacturing and construction.

But this does not necessarily translate into easy wins for economic developers. As the focus shifts to workers, job quality, labor force participation, and small-scale entrepreneurship, day-to-day dealmaking will be a much smaller part of the job in the future. This is not to say that system bias will disappear; but

it may manifest in a different way as cities shift focus to workers and big employers are increasingly remote.

A discussion of how to connect economic and workforce development more effectively has been underway for over 20 years (Giloth, 2000). Long-term full employment and labor shortages – both semi- and high-skilled – make movement on this more crucial than ever. With labor market challenges rife across both strong and weak markets, it becomes a national imperative.

Unfortunately, both the training and deployment of economic development professionals are lagging at this key juncture. With some dismay, planning scholars have noted the "real estate turn" of economic development, or the growing focus on "bricks and mortar" strategies at the expense of a focus on labor and regional economics, in both education and practice (Kim et al., 2020). Professional planning programs across North America have retreated from economic development, with few new hires to replace retiring faculty. The growing complexity of the profession suggests that this is a mistake. It is time to recenter our work on claiming the workforce.

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