# DISRUPTION

## THE CRISIS IN ECONOMIC DEVELOPMENT

Jon Roberts | TIP Strategies, Inc.

July 14, 2015


Photo credit: Columbia Gorge by Pinchof 2.0 via Flickr (CC BY 2.0)

# 1

# INTRODUCTION

# WHO IS TIP STRATEGIES?

FOUNDED 1995 (20 YEARS OF EXPERIENCE)

TWO PRINCIPALS WITH A TOTAL STAFF OF 9

COMMITTED TO HOLISTIC THINKING & SUSTAINABLE DEVELOPMENT

AUSTIN & SEATTLE OFFICES WITH GLOBAL REACH

# AGENDA

1. Introduction
2. The Economy
3. Disruption
4. The Response: Innovation and Entrepreneurship

# 2

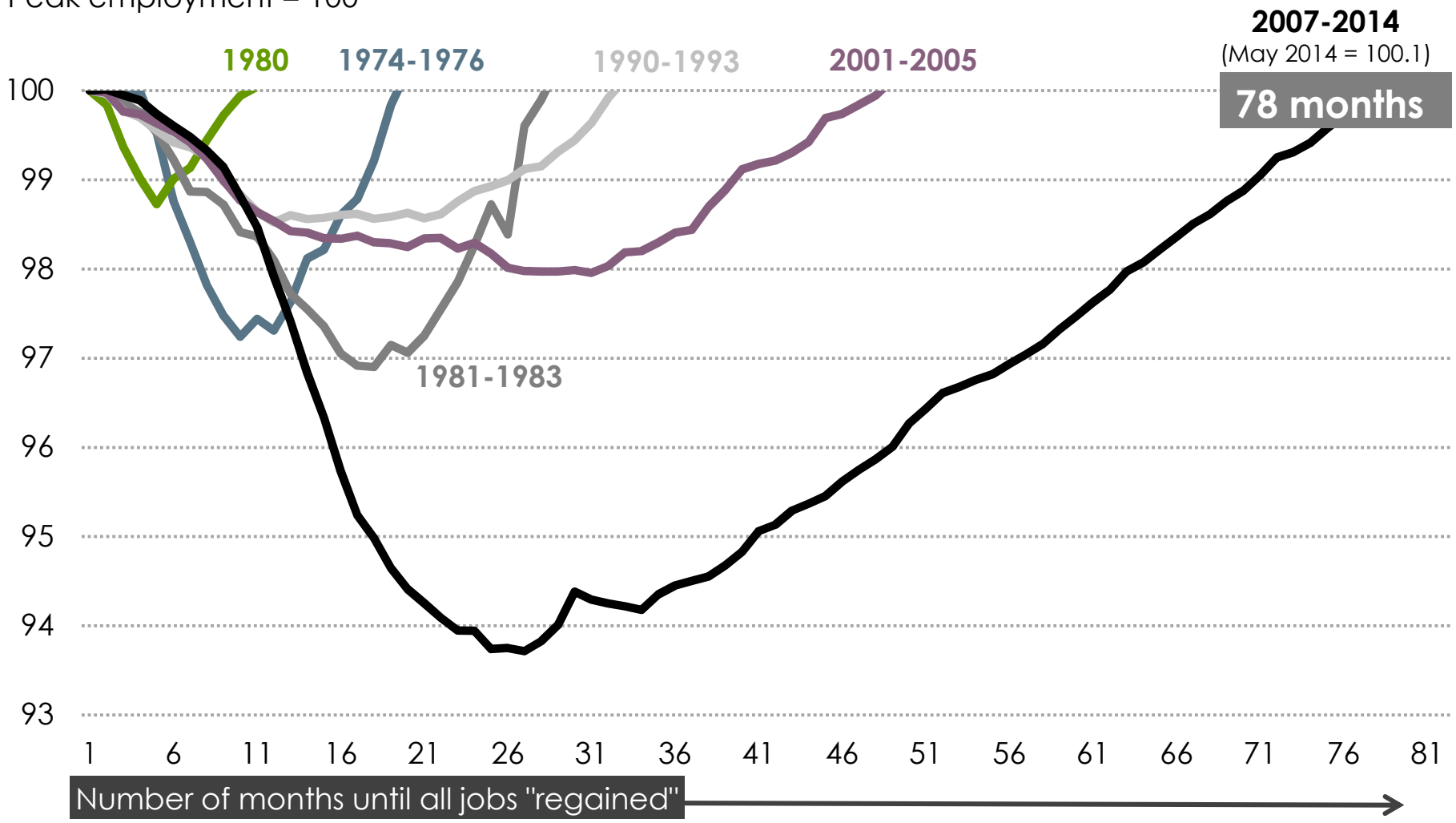
# THE ECONOMY

# NATIONAL TRENDS

# Recessions Compared

**RECESSIONARY EMPLOYMENT TRENDS**

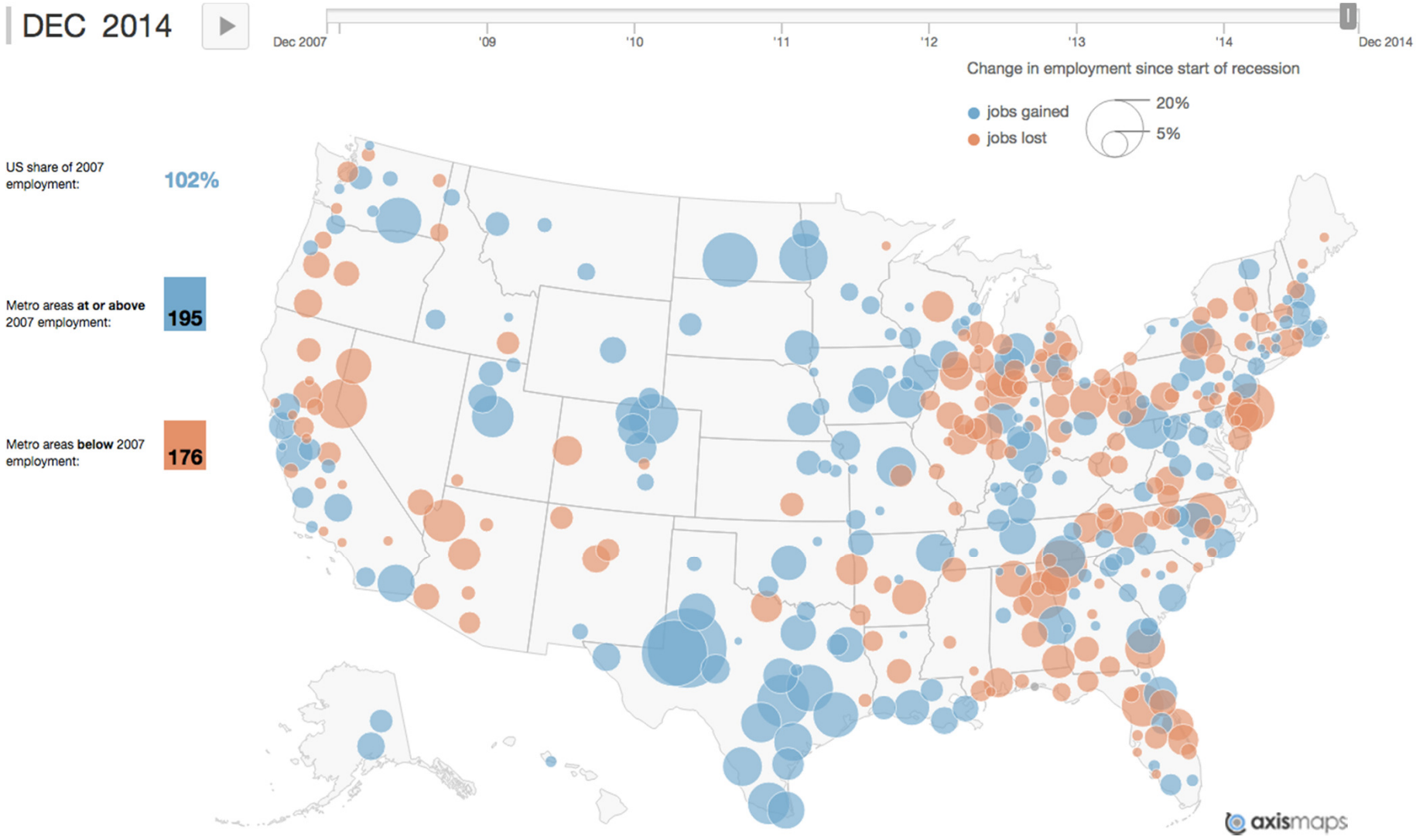
Peak employment = 100




Sources: US Bureau of Labor Statistics, Current Employment Statistics (total nonfarm employment, seasonally adjusted); NBER (recession dates); New York Times (format)

# Geography of Recovery

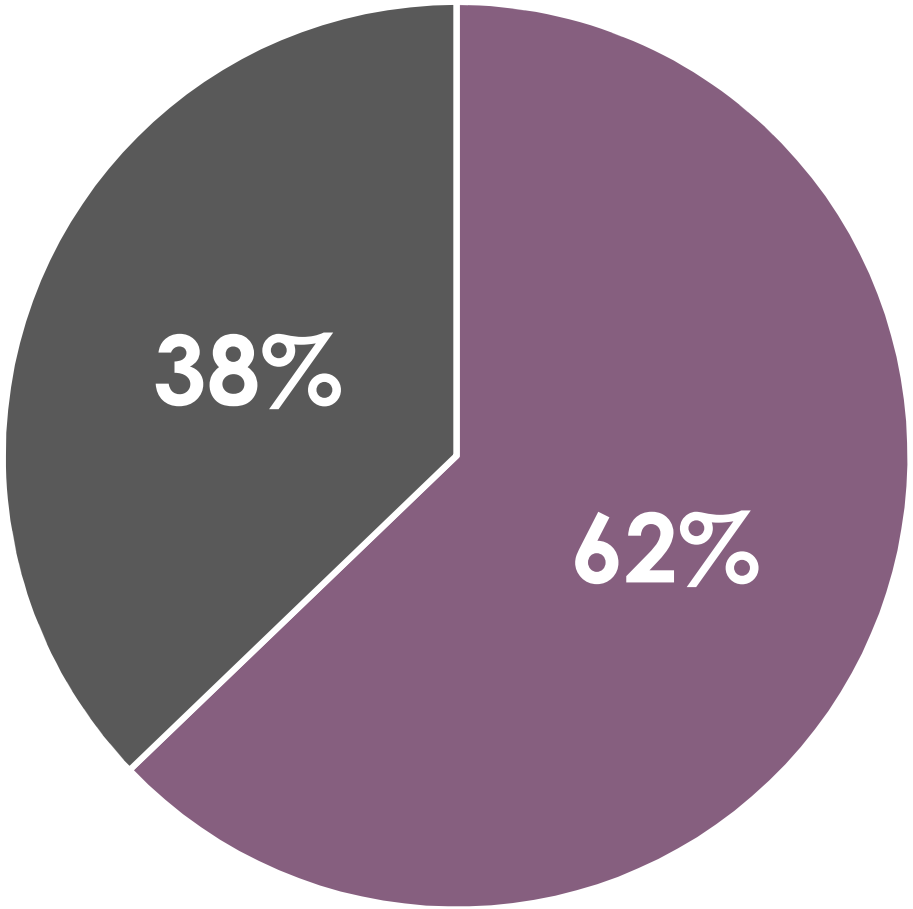
Cumulative Change in Employment Since the Beginning of the Great Recession




Source: U.S. Bureau of Labor Statistics, Current Employment Statistics; TIP Strategies

# Skills Gap: Labor Force

Share of the labor force that has earned **at least a bachelor's degree**




Share of the labor force over 25 that **does not have a 4-year degree**

Source: US Bureau of Labor Statistics (Current Population Survey), February 2015

# Skills Gap: Unemployment Rate

**2.7%**

Unemployment rate for the share of the labor force over 25 that has **earned at least a bachelor's degree**

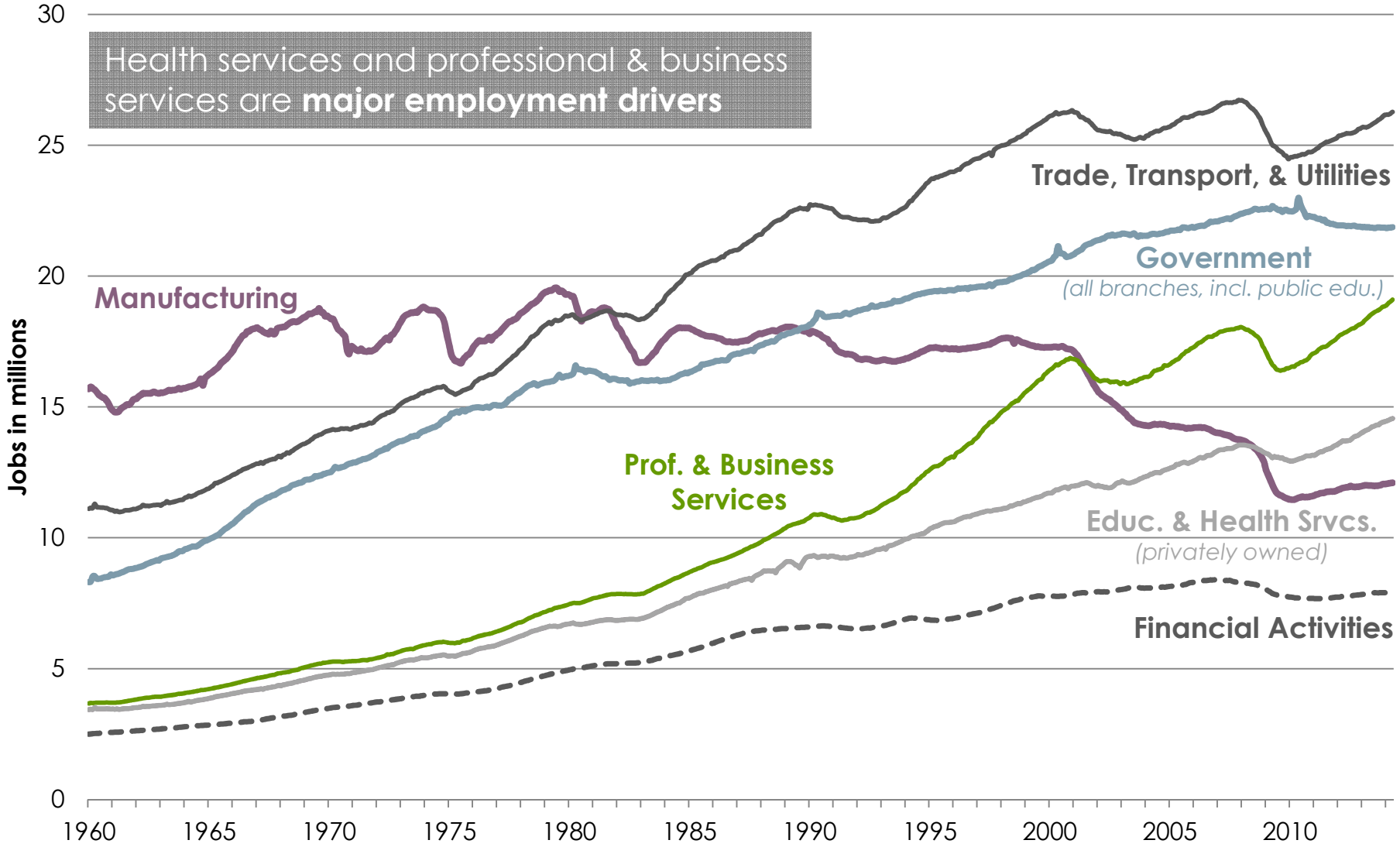
**5.6%**

Unemployment rate for the share of the labor force over 25 **without a four-year degree**

Source: US Bureau of Labor Statistics (Current Population Survey), February 2015

Since 1970,
total employment
in manufacturing
has fallen by **5 million**.

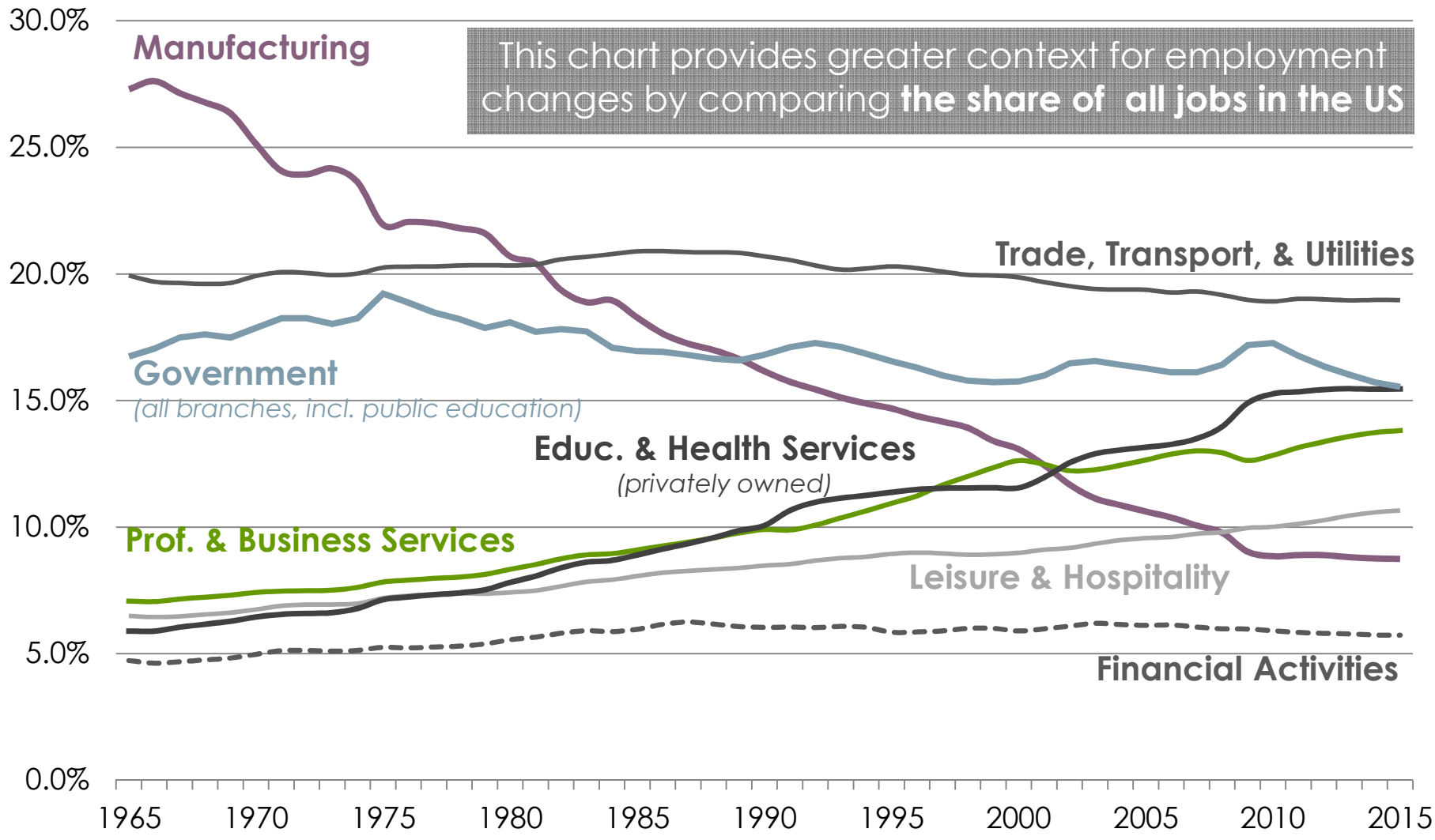
# Employment by Industry Sector




Source: US Bureau of Labor Statistics

Manufacturing dropped from **25%** to **9%** of all jobs **since 1970**.

# Share of Employment by Industry

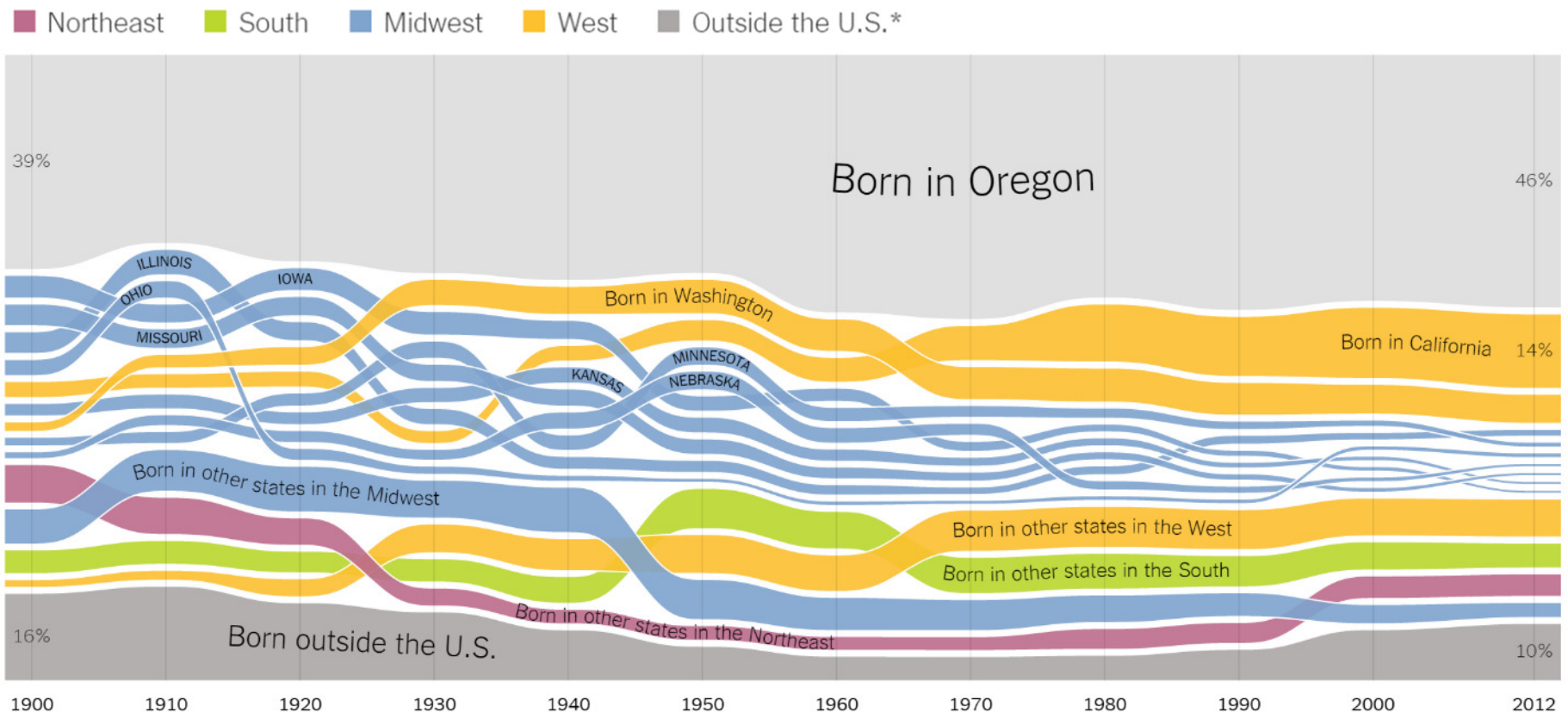



Source: US Bureau of Labor Statistics

# STATE TRENDS

# NYT Mapping Migration in the US

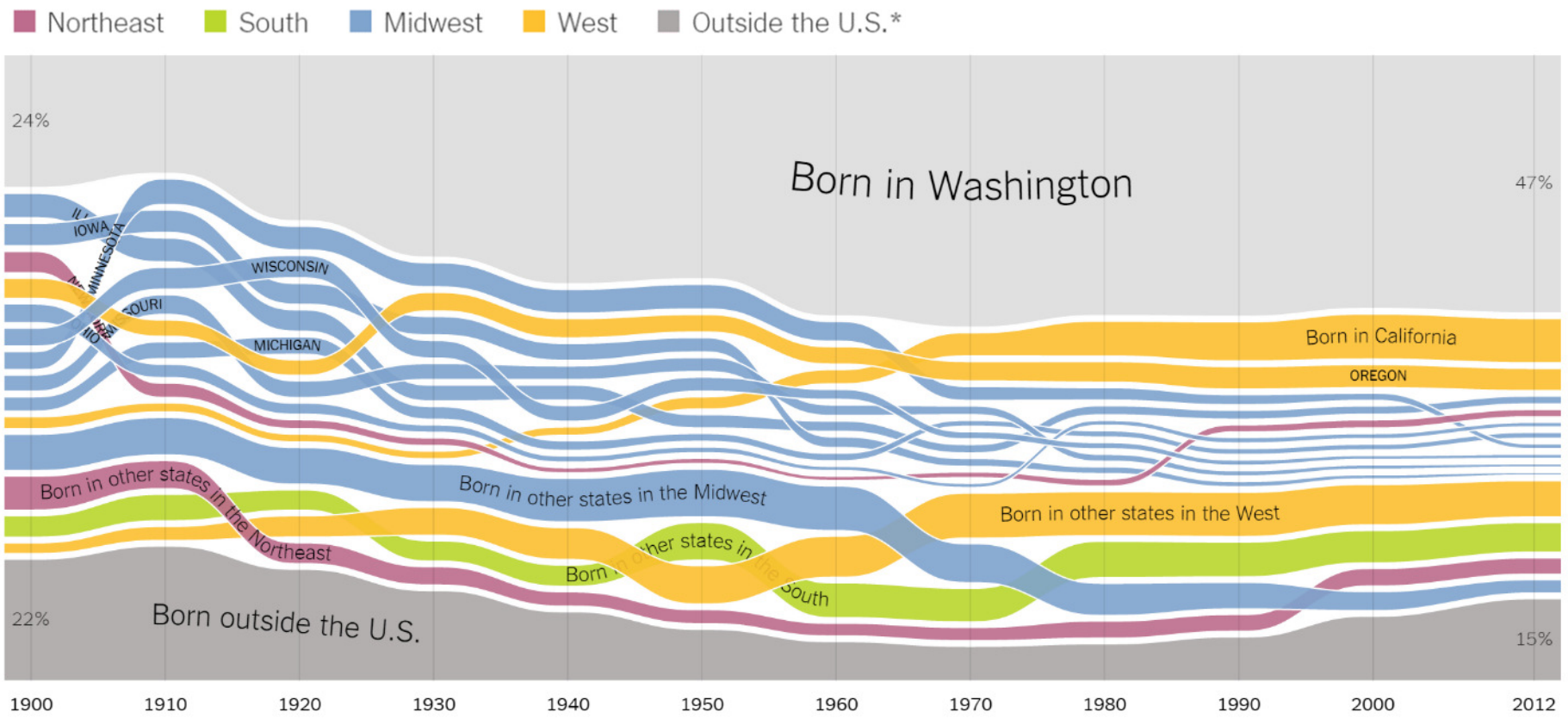
## Where people living in OREGON **were born**




Source: New York Times, *Mapping Migration in the United States*, series of interactive figures compiled using Census microdata from the University of Minnesota Population Center and published in August 2014. Note: Foreign-born residents are collapsed into a single immigrant category. "U.S. Other" includes those born in Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, and, for early Census years, in Native American tribal territory. Residents who were classified as U.S. born but without a specific state were allocated a state of birth proportionately based on the make-up of their state of residence for the given year.

# NYT Mapping Migration in the US

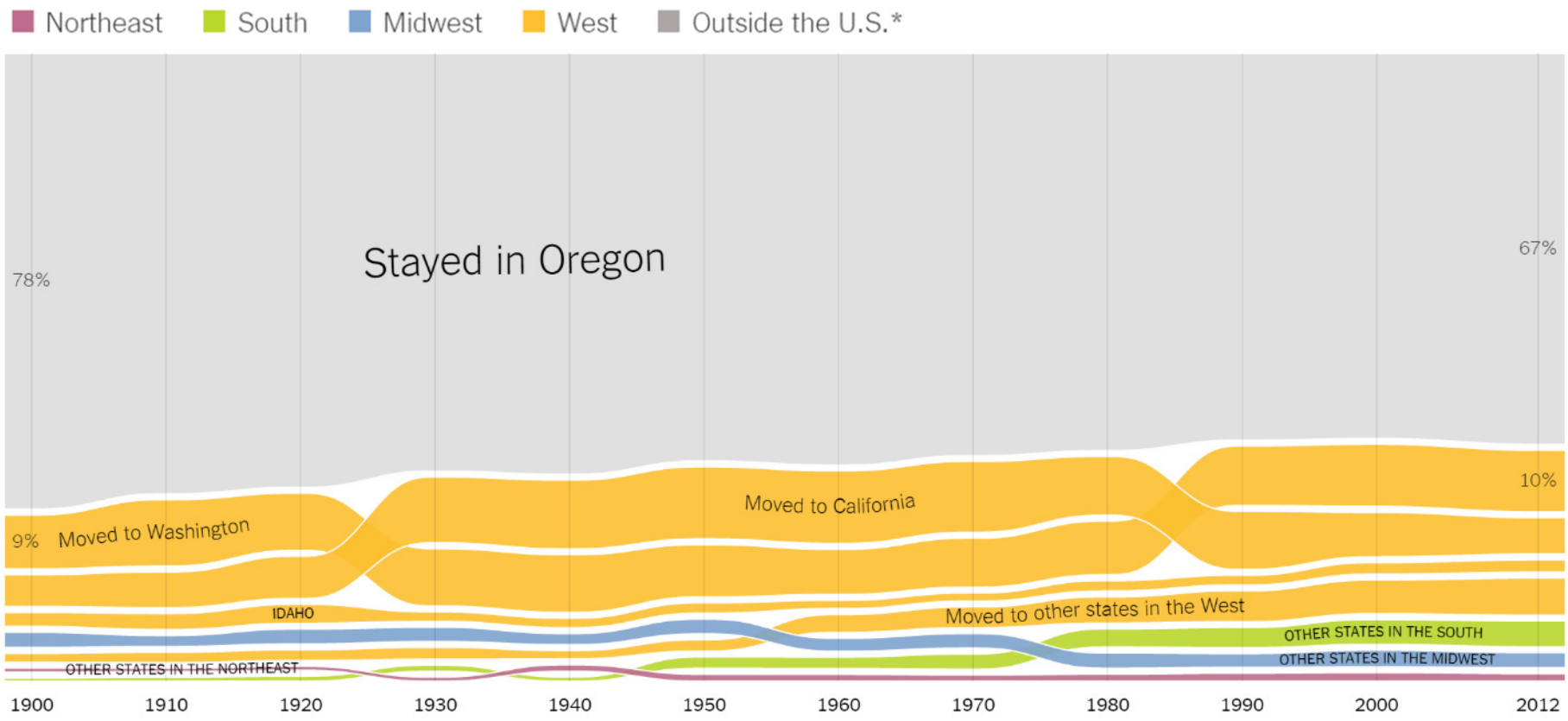
## Where people living in WASHINGTON **were born**




Source: New York Times, Mapping Migration in the United States, series of interactive figures compiled using Census microdata from the University of Minnesota Population Center and published in August 2014. Note: Foreign-born residents are collapsed into a single immigrant category. "U.S. Other" includes those born in Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, and, for early Census years, in Native American tribal territory. Residents who were classified as U.S. born but without a specific state were allocated a state of birth proportionately based on the make-up of their state of residence for the given year.

# NYT Mapping Migration in the US

## Where people born in OREGON **have moved to**




Source: New York Times, *Mapping Migration in the United States*, series of interactive figures compiled using Census microdata from the University of Minnesota Population Center and published in August 2014. Note: Foreign-born residents are collapsed into a single immigrant category. "U.S. Other" includes those born in Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, and, for early Census years, in Native American tribal territory. Residents who were classified as U.S. born but without a specific state were allocated a state of birth proportionately based on the make-up of their state of residence for the given year.

# NYT Mapping Migration in the US

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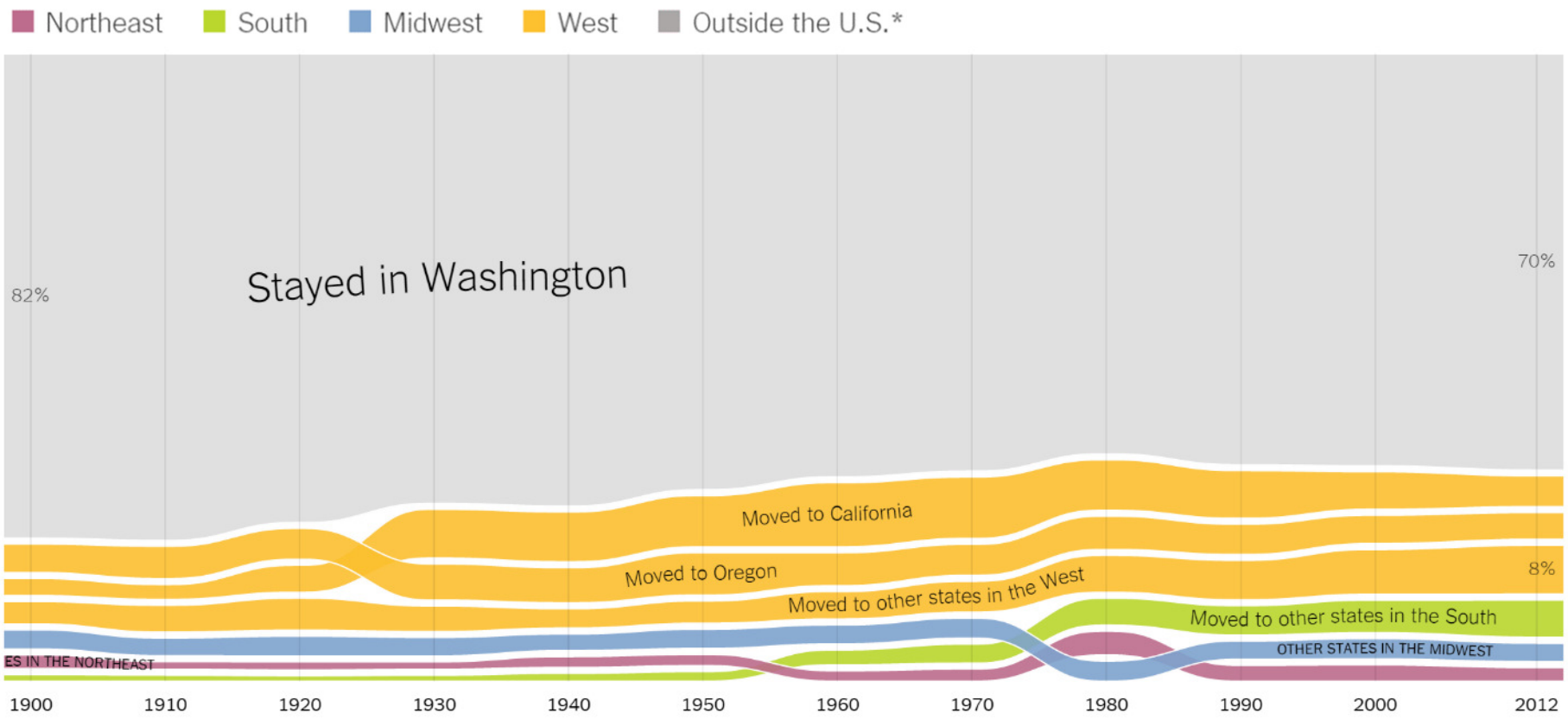
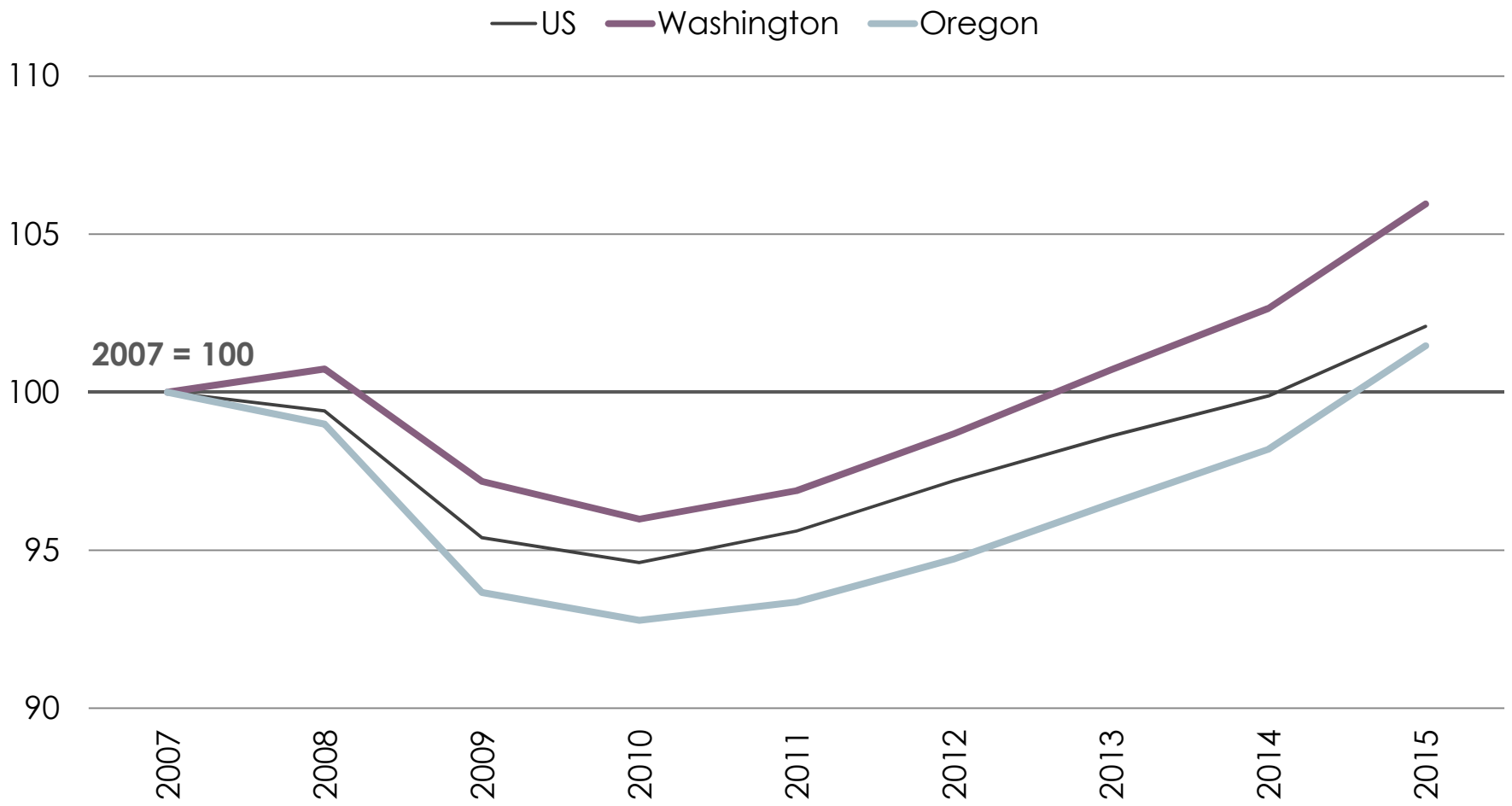



Source: New York Times, *Mapping Migration in the United States*, series of interactive figures compiled using Census microdata from the University of Minnesota Population Center and published in August 2014. Note: Foreign-born residents are collapsed into a single immigrant category. "U.S. Other" includes those born in Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, and, for early Census years, in Native American tribal territory. Residents who were classified as U.S. born but without a specific state were allocated a state of birth proportionately based on the make-up of their state of residence for the given year.

# Employment Trends, 2007 to Present

Employment relative to pre-recession levels (2007 = 100)




Source: EMSI 2015.2 – QCEW Employees, Non-QCEW Employees, and Self-Employed; TIP Strategies

# Gross Domestic/Regional Product, 2013

Concentration of GRP by sector relative to US (US = 1.00)

Ranked by sector's share of total US

| | | US | OREGON | WASHINGTON |
|---|---|---|---|---|
| | **GRP** *(in billions)* | **$16,514** | **$219** | **$399** |
| 1 | Manufacturing | 1.00 | **1.27** | 1.06 |
| 2 | Government (all branches) | 1.00 | 0.93 | 1.19 |
| 3 | Finance & Insurance | 1.00 | 0.80 | 0.67 |
| 4 | Real Estate & Rental & Leasing | 1.00 | 1.14 | 0.91 |
| 5 | Health Care & Social Assistance | 1.00 | 1.00 | 0.88 |
| 6 | Other Non-Industries | 1.00 | **1.28** | 0.98 |
| 7 | Prof., Scientific, & Tech. Services | 1.00 | 0.72 | 0.90 |
| 8 | Wholesale Trade | 1.00 | 1.00 | 0.97 |
| 9 | Retail Trade | 1.00 | 0.96 | 1.13 |
| 10 | Information | 1.00 | 0.99 | **2.30** |

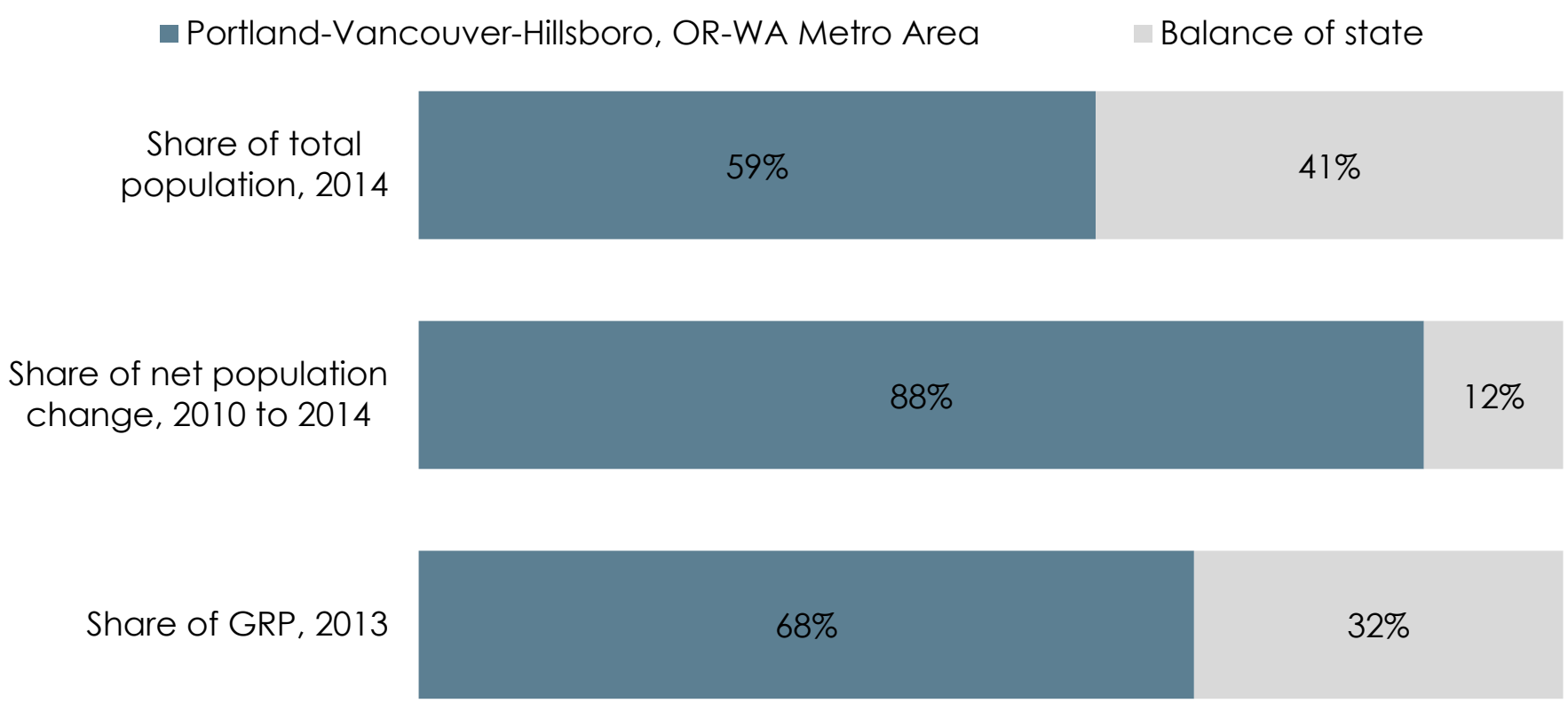
Source: EMSI Input-Output Model (2013)

Notes: "Non-industries" accounts for non-work-related earnings, such as investments, Social Security, unemployment benefits, etc. Sectors with LQ of 1.25 or greater are highlighted

# METRO TRENDS

# Major Metro Area Contribution to Population and GRP

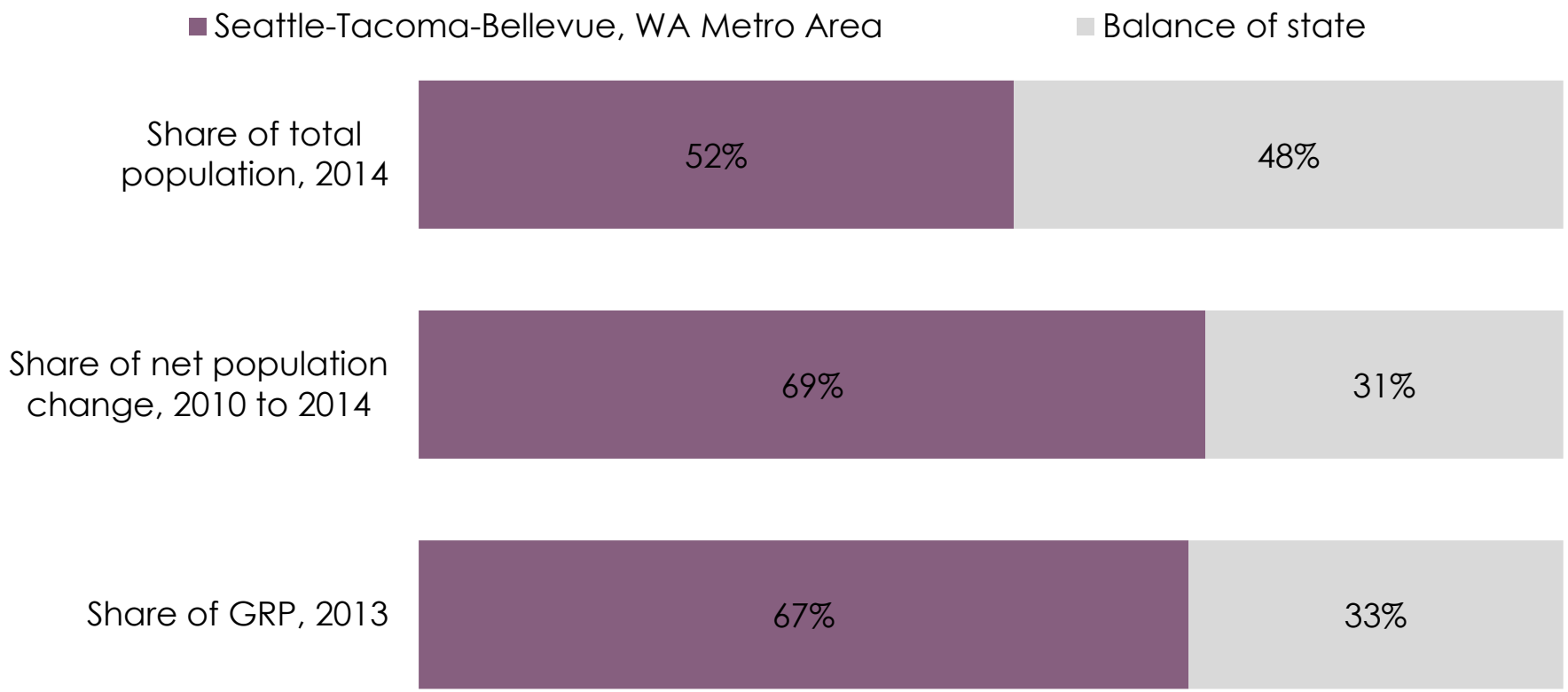
Portland-Vancouver-Hillsboro, OR-WA Metro Area's share of total population (2014), net change (2010 to 2014), and GRP (2013)




Source: EMSI Input-Output Model (2013); US Census Bureau, Population Division; TIP Strategies

# Major Metro Area Contribution to Population and GRP

Seattle-Tacoma-Bellevue, WA Metro Area's share of total population (2014), net change (2010 to 2014), and GRP (2013)




Source: EMSI Input-Output Model (2013); US Census Bureau, Population Division; TIP Strategies

# Gross Domestic/Regional Product, 2013

Distribution by top 10 sectors for US and states of Oregon and Washington

Ranked by sector's share of total US

| | | US | OREGON | WASHINGTON |
|---|---|---|---|---|
| | **GRP** *(in billions)* | **$16,514** | **$219** | **$399** |
| 1 | Manufacturing | **13%** | **16%** | **13%** |
| 2 | Government (all branches) | **13%** | **12%** | **15%** |
| 3 | Finance & Insurance | **8%** | 6% | 5% |
| 4 | Real Estate & Rental & Leasing | 7% | 9% | 7% |
| 5 | Health Care & Social Assistance | 7% | 7% | 6% |
| 6 | Other Non-Industries | 7% | **9%** | 7% |
| 7 | Prof., Scientific, & Tech. Services | 7% | 5% | 6% |
| 8 | Wholesale Trade | 6% | 6% | 6% |
| 9 | Retail Trade | 5% | 5% | 6% |
| 10 | Information | 5% | 5% | **11%** |

Source: EMSI Input-Output Model (2013)

Notes: "Non-industries" accounts for non-work-related earnings, such as investments, Social Security, unemployment benefits, etc. Three largest sectors highlighted.

# Gross Domestic/Regional Product, 2013

Distribution by top 10 sectors for US and major metro area in each state

Ranked by sector's share of total US

| | | US | PORTLAND | SEATTLE |
|---|---|---|---|---|
| | **GRP** *(in billions)* | **$16,514** | **$148** | **$268** |
| 1 | Manufacturing | **13%** | **17%** | **14%** |
| 2 | Government (all branches) | **13%** | **9%** | **12%** |
| 3 | Finance & Insurance | **8%** | 7% | 5% |
| 4 | Real Estate & Rental & Leasing | 7% | **8%** | 7% |
| 5 | Health Care & Social Assistance | 7% | 6% | 5% |
| 6 | Other Non-Industries | 7% | 8% | 6% |
| 7 | Prof., Scientific, & Tech. Services | 7% | 6% | 7% |
| 8 | Wholesale Trade | 6% | 7% | 6% |
| 9 | Retail Trade | 5% | 4% | 5% |
| 10 | Information | 5% | 5% | **15%** |

Source: EMSI Input-Output Model (2013)

Notes: "Non-industries" accounts for non-work-related earnings, such as investments, Social Security, unemployment benefits, etc. Three largest sectors highlighted.

# Gross Domestic/Regional Product, 2013

Concentration of GRP by sector relative to US (US = 1.00)

Ranked by sector's share of total US

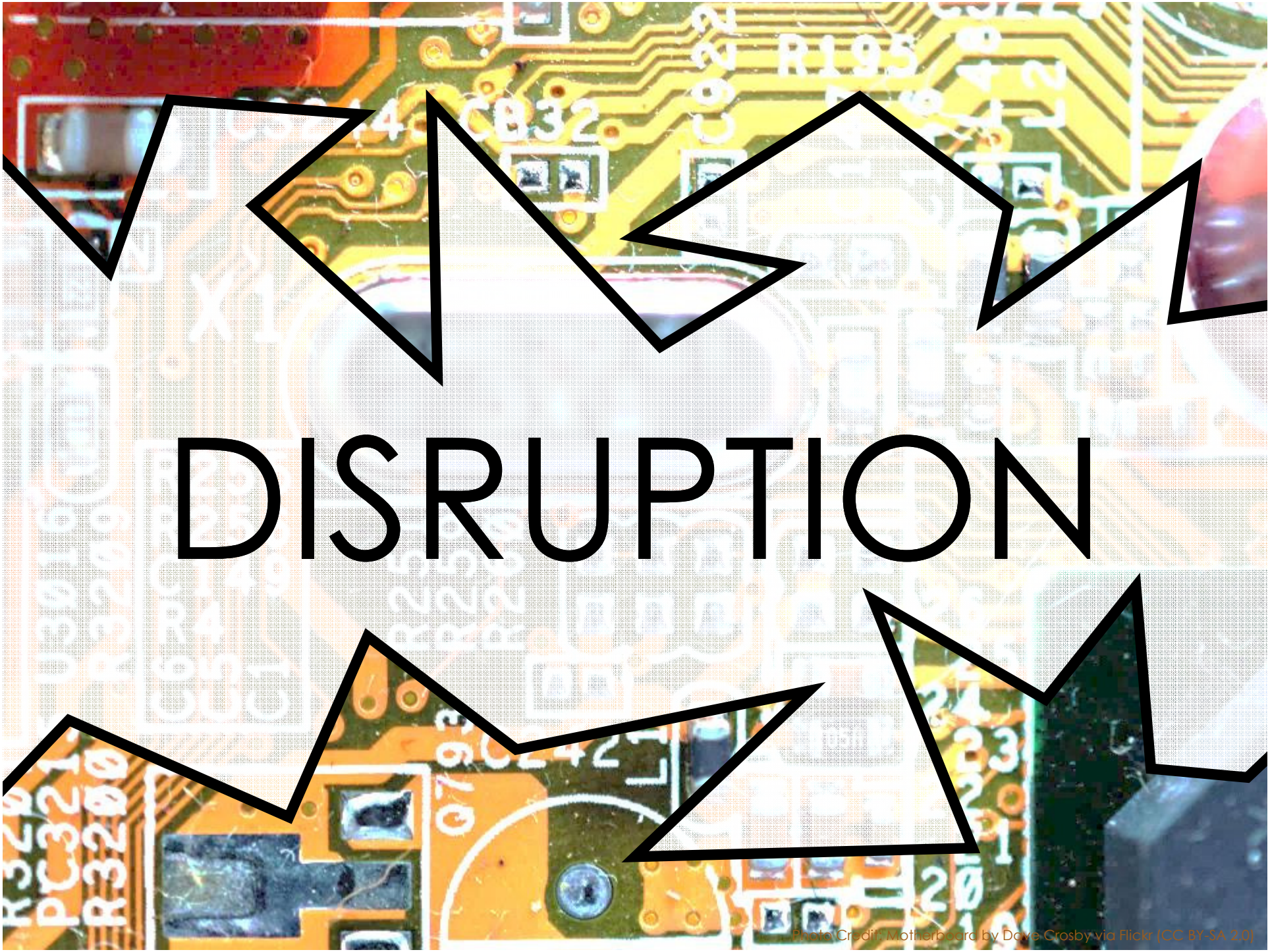
| | | US | PORTLAND | SEATTLE |
|---|---|---|---|---|
| | **GRP** *(in billions)* | **$16,514** | **$148** | **$268** |
| 1 | Manufacturing | 1.00 | **1.37** | 1.08 |
| 2 | Government (all branches) | 1.00 | 0.75 | 0.97 |
| 3 | Finance & Insurance | 1.00 | 0.88 | 0.69 |
| 4 | Real Estate & Rental & Leasing | 1.00 | 1.13 | 0.93 |
| 5 | Health Care & Social Assistance | 1.00 | 0.91 | 0.78 |
| 6 | Other Non-Industries | 1.00 | 1.17 | 0.88 |
| 7 | Prof., Scientific, & Tech. Services | 1.00 | 0.89 | 1.03 |
| 8 | Wholesale Trade | 1.00 | 1.23 | 1.02 |
| 9 | Retail Trade | 1.00 | 0.85 | 1.05 |
| 10 | Information | 1.00 | 1.10 | **3.15** |

Source: EMSI Input-Output Model (2013)

Notes: "Non-industries" accounts for non-work-related earnings, such as investments, Social Security, unemployment benefits, etc. Sectors with LQ of 1.25 or greater are highlighted.

# 3

# DISRUPTION





# Let's take a ride.

# I'll call a doctor.

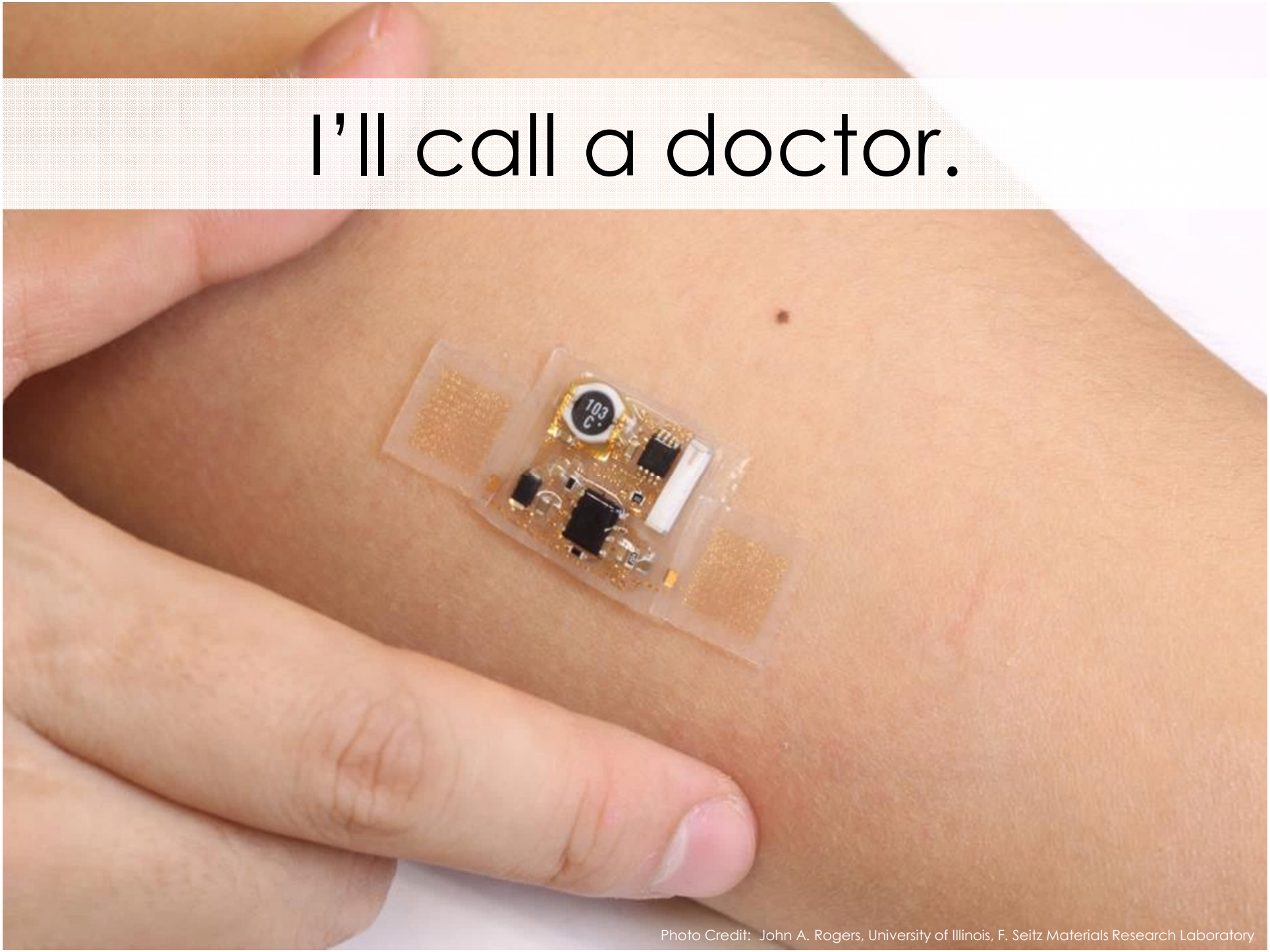



Photo Credit: John A. Rogers, University of Illinois, F. Seitz Materials Research Laboratory

Step into my office.

# HOW ARE THESE TECHNOLOGIES DISRUPTIVE?

1. THE SUPPLY CHAIN
2. SOCIAL NORMS
3. THE LABOR POOL

# THE SUPPLY CHAIN

Entire business units cease to exist and secondary providers disappear.


Photo Credit: e-Waste by Curtis Palmer via Flickr (CC BY 2.0)

# SOCIAL NORMS

Culture shock around expected behavior with new product opportunities.

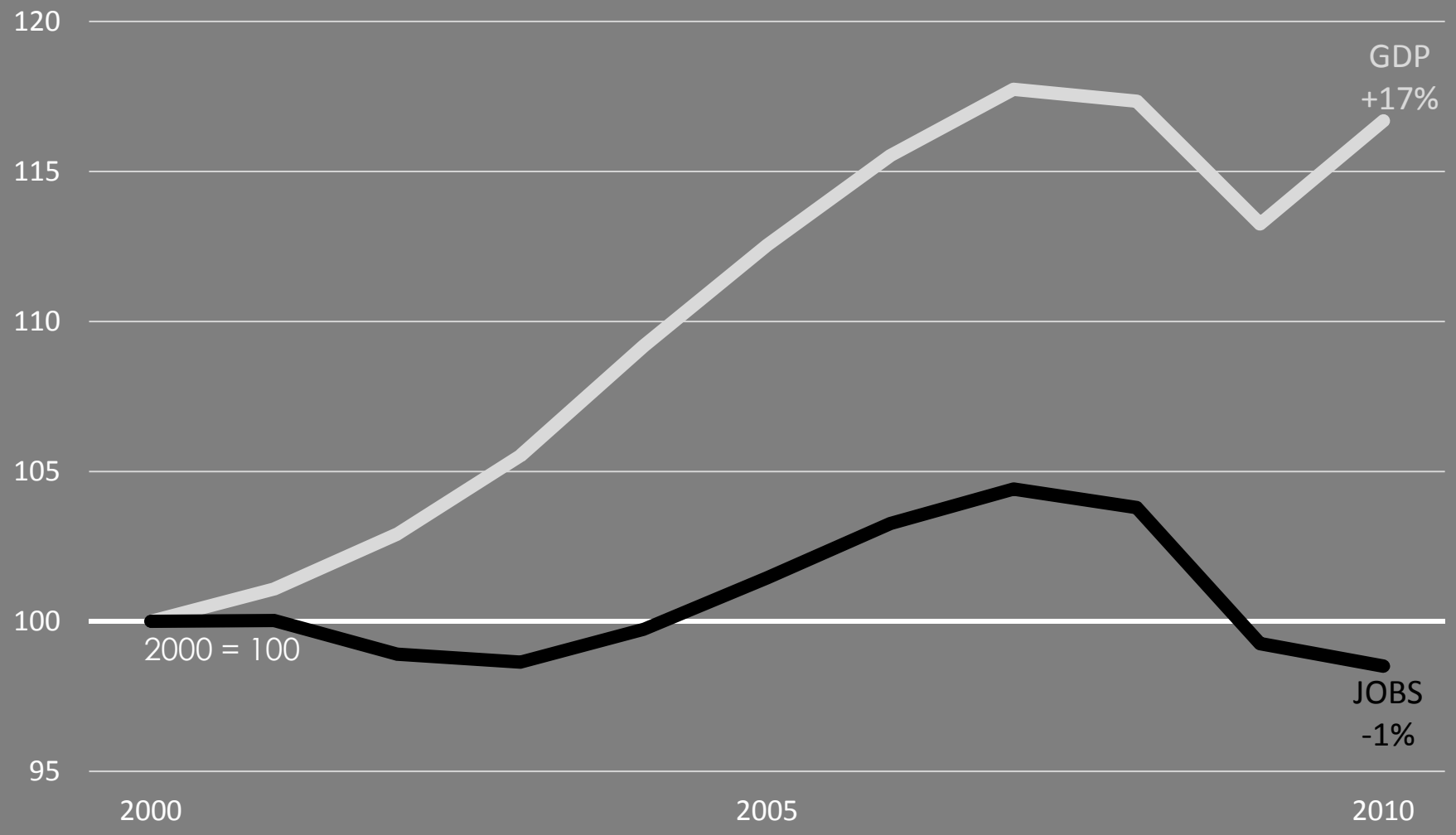
# THE LABOR POOL

Massive disruption in the number of workers and the skill sets they require.

# What does disruption mean for economic development?

If productivity doesn't bring job gains, what are we incentivizing?

# GDP/Job Gap Index



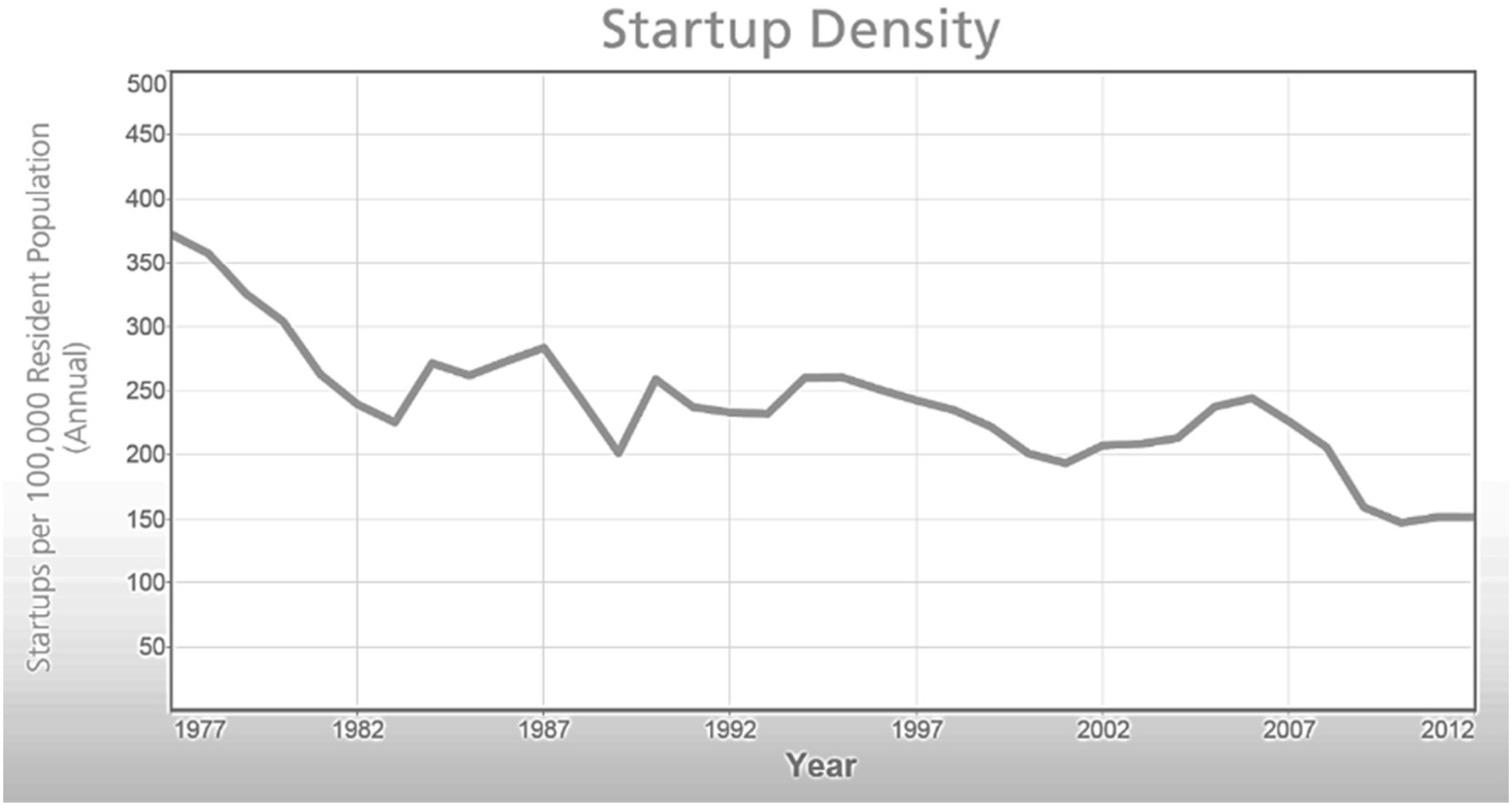

Sources: GDP (U.S. Bureau of Economic Analysis); Jobs (U.S. Bureau of Labor Statistics - CES Survey)

# 4

# THE RESPONSE: ENTREPRENEURSHIP AND INNOVATION

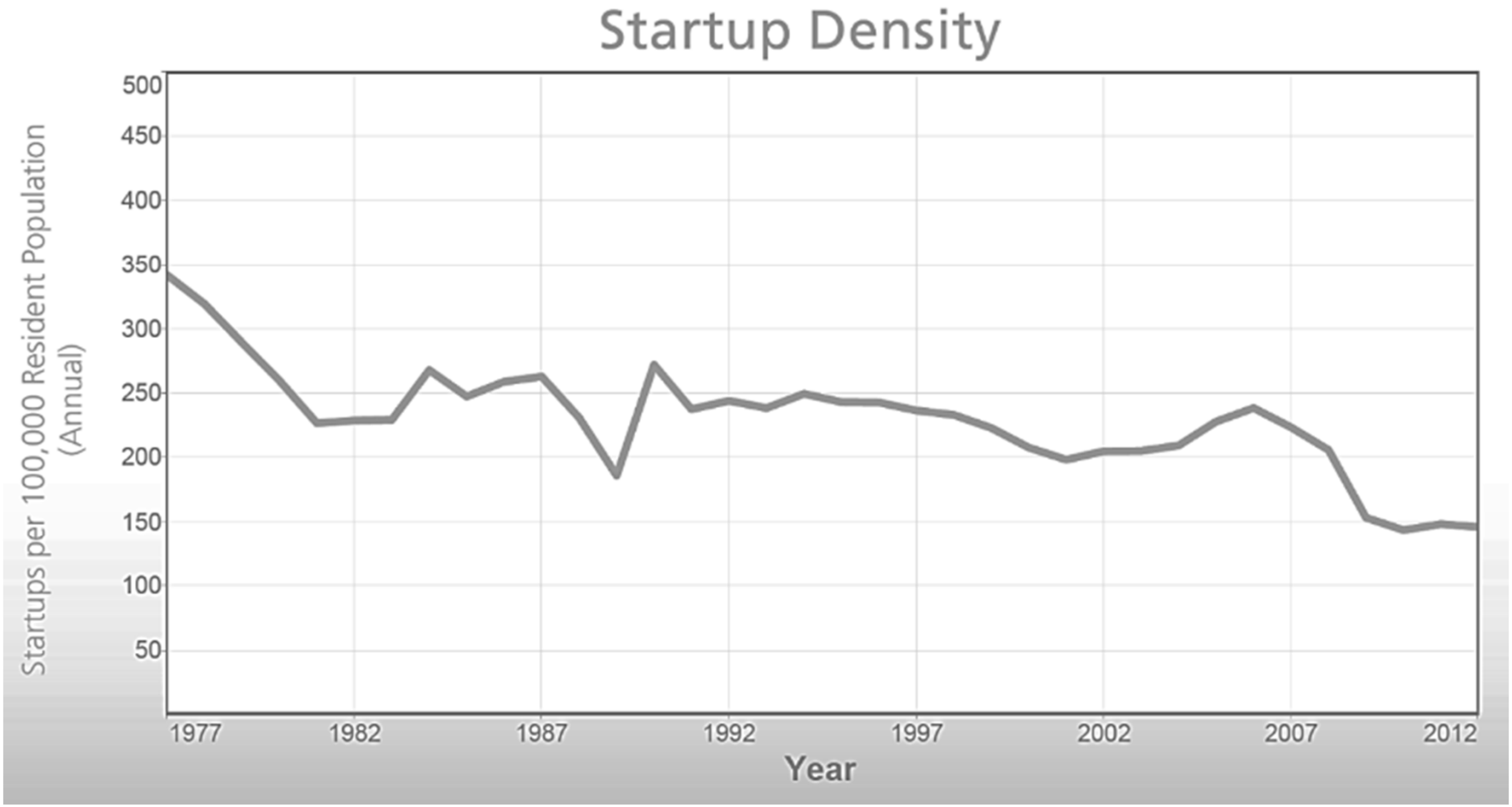
# The state of entrepreneurship

# Oregon




Source: The Kauffman Index, 2015 Startup Activity State Trends

# Washington




Source: The Kauffman Index, 2015 Startup Activity State Trends

# What is entrepreneurship (really)?

Entrepreneurship vs. small business:

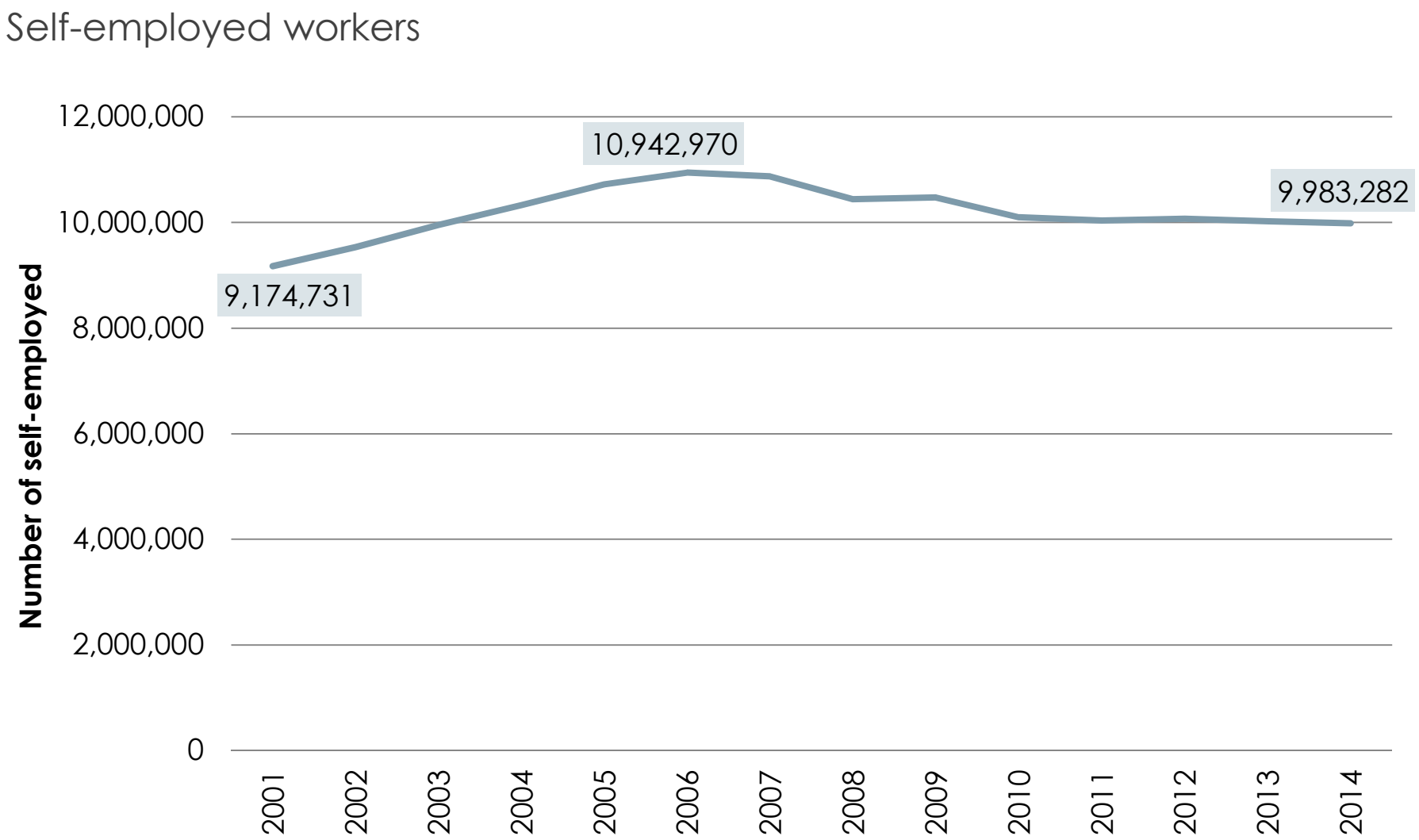
- Export oriented
- Tech driven
- Capital intensive
- IP dependent

# The economic developers conundrum:

- Difficult to anchor
- Not driven by job creation
- Disruptive (of existing business models)

# So what about the self-employed?

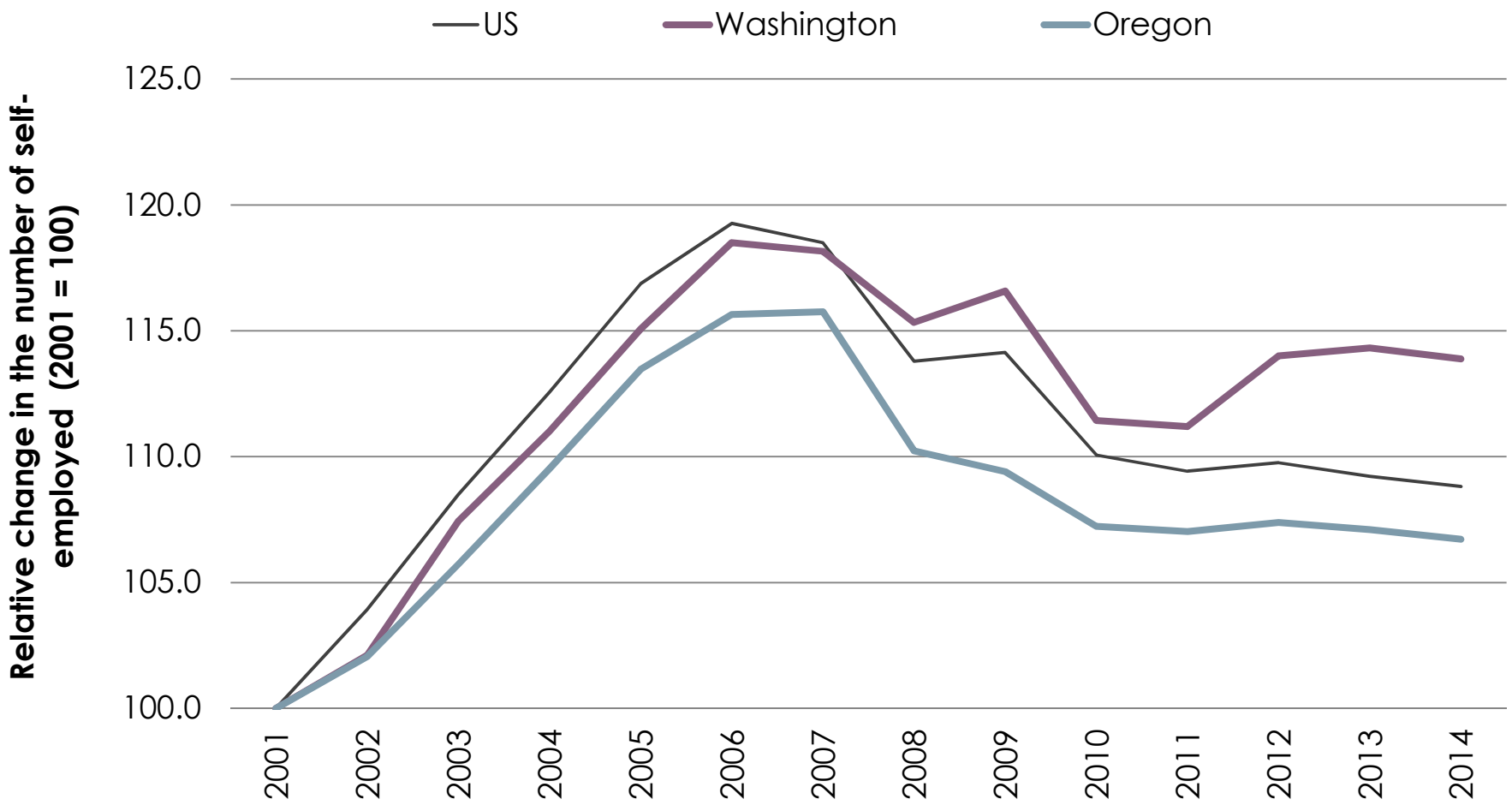
# Estimated US Self-Employment Trends, 2001 to 2014




Source: EMSI 2015.2 – QCEW Employees, Non-QCEW Employees, and Self-Employed; TIP Strategies

# Estimated Self-employment Trends for US and State of Washington and Oregon, 2001 to 2014

Employment relative to 2001 (first available year of EMSI data)




Source: EMSI 2015.2 – QCEW Employees, Non-QCEW Employees, and Self-Employed; TIP Strategies

# One case study: Tony Hsieh and the Las Vegas Downtown Project

# Zappos.com

http://media.glassdoor.com/m/7b/2c/00/f6/entrance-to-the-zappos-com-headquarter-office-in-henderson-nv-photo-by.jpg

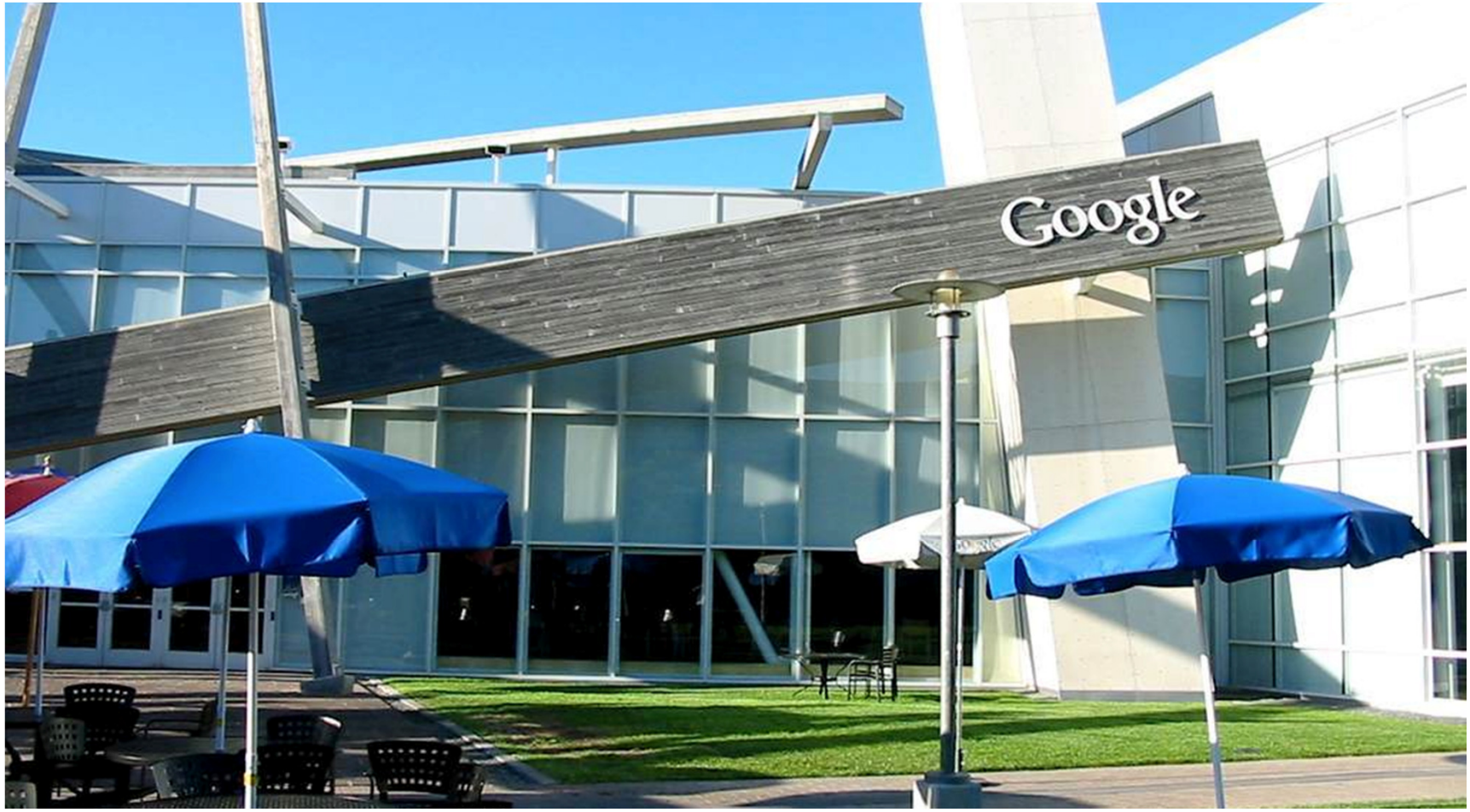
# Las Vegas City Hall

http://brandonwiegand.com/wp-content/uploads/2010/11/Zappos-City-Hall.jpg

# Nike

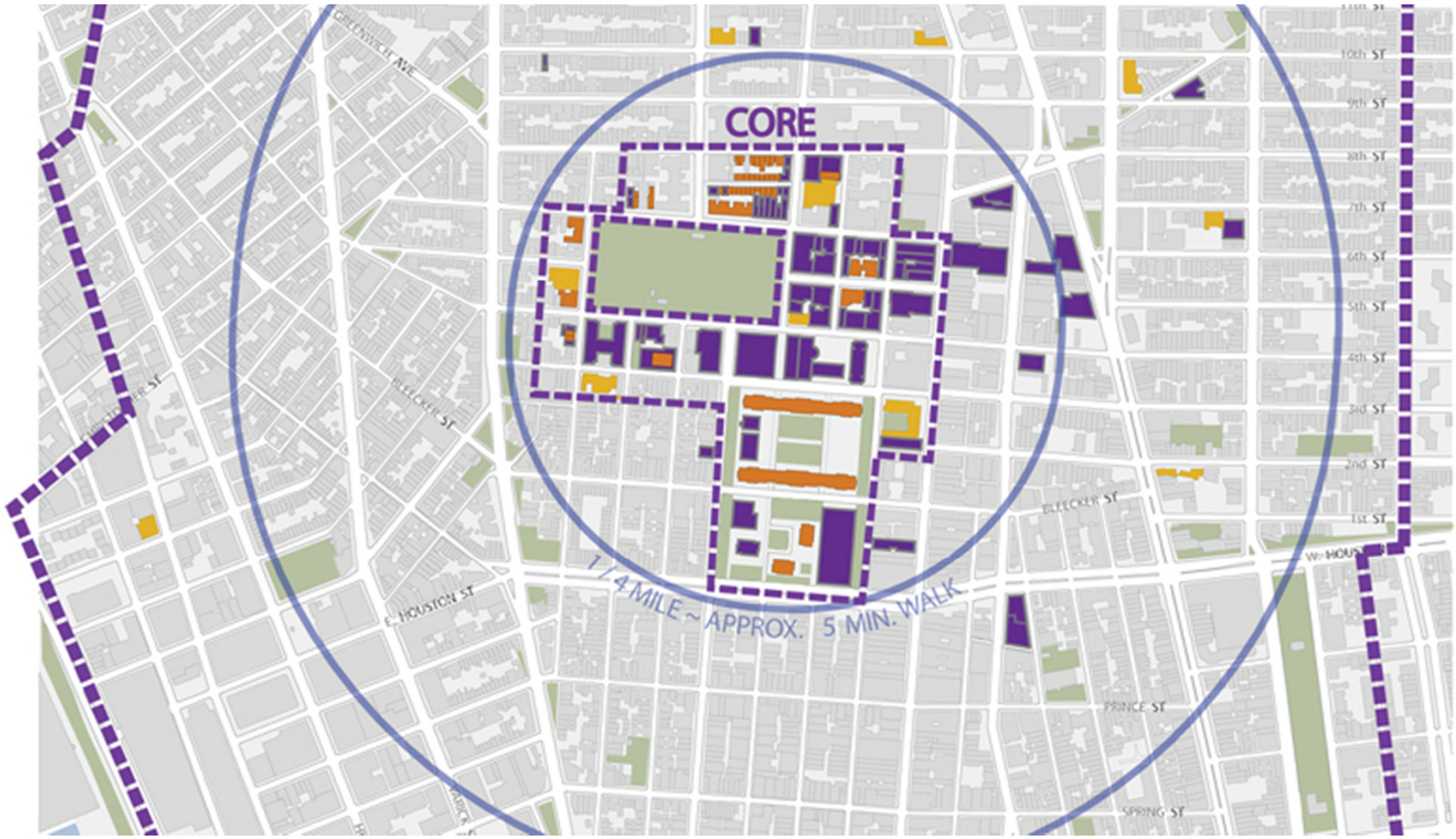

http://standardatl.com/home/wp-content/uploads/2010/07/Nike_Campus_Tour_01.jpg

# Google



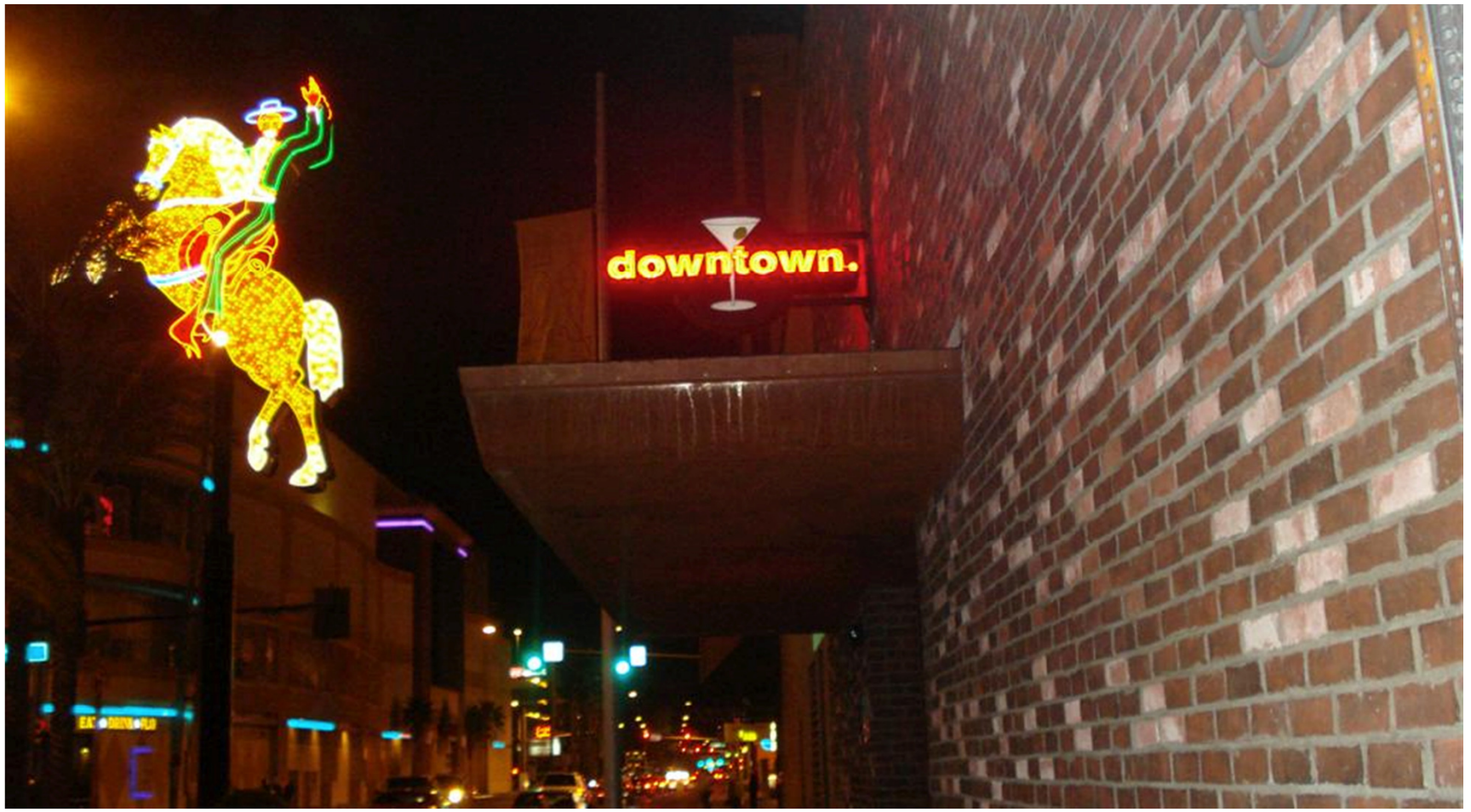

http://static.panoramio.com/photos/original/400729.jpg

# NYU Campus




http://www.adogsdayout.com/Pix_Overhead_View_ADDO_7-31-08.JPG

# Downtown Vegas - Fremont East




http://www.eatinglv.com/wordpress/wp-content/gallery/odettedowntown/chinatown-038-large.jpg

# Downtown Vegas - Fremont East

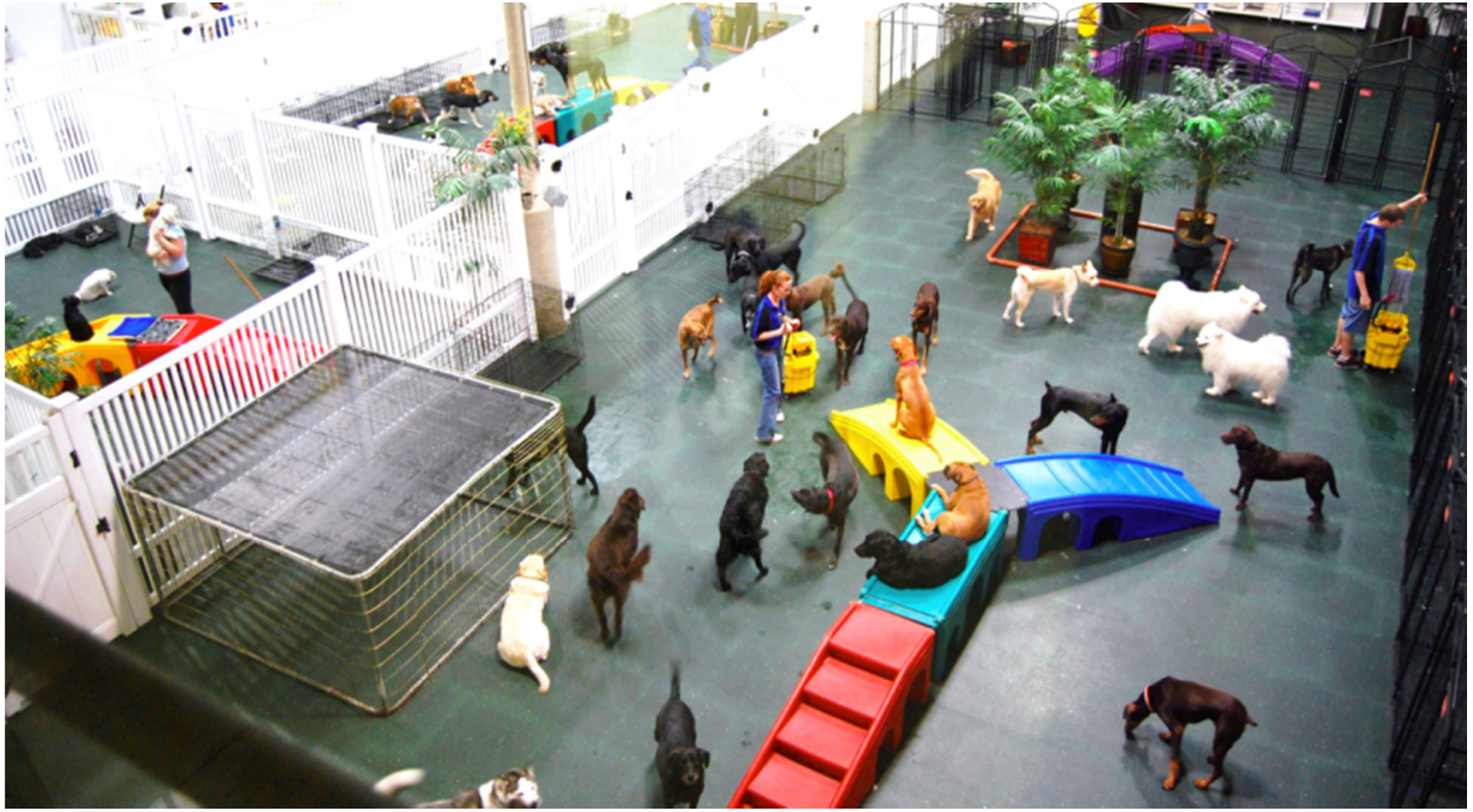
http://www.lucyvegas.com/sites/default/files/griffin5.jpg

# Downtown Vegas - Fremont East

# Downtown Vegas - Fremont East


http://roadjournals.viamagazine.com/wp-content/uploads/2011/05/The-Beat-Coffeehouse.jpg

# Doggy Day Care



http://www.adogsdayout.com/Pix_Overhead_View_ADDO_7-31-08.JPG

- Talent attraction matters
- The 1099 economy matters
- Social entrepreneurship as a target industry
- Public sector as an engine of innovation

questions?

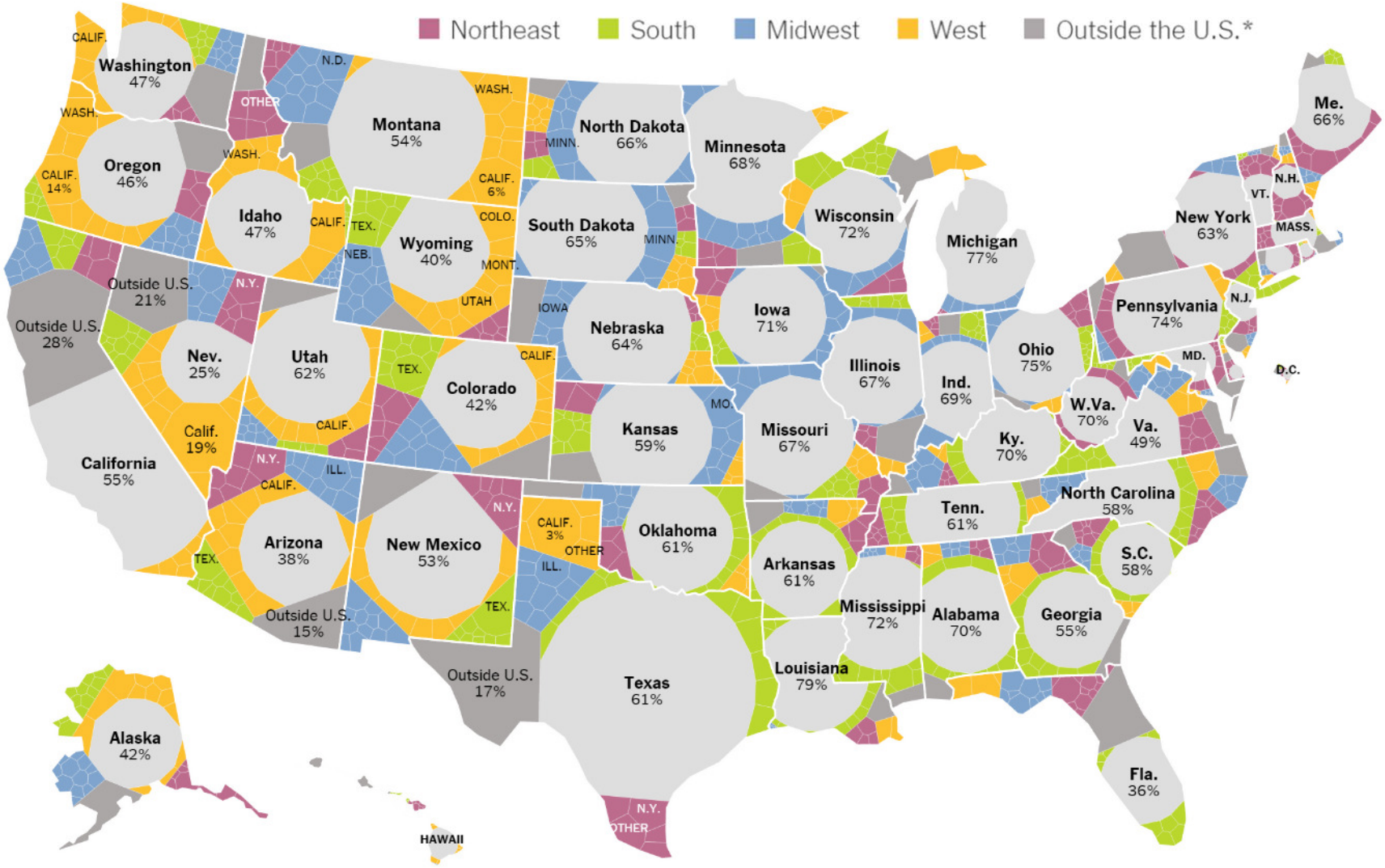
Image Credits :Austin_Texas by Ed Schipul via Flick (CC BY-SA 20)

TIP strategies
AUSTIN • SEATTLE

jon@tipstrategies.com

# NYT Mapping Migration in the US

Where people living in each state in 2012 **were born**




Source: New York Times, Mapping Migration in the United States, August 2014. See subsequent slides for notes.

# Employment by 10 Largest Sectors, 2014

With concentration (location quotients) relative to US (US = 1.00)

Ranked by total jobs in Washington State

| | | OREGON | | WASHINGTON | |
|---|---|---|---|---|---|
| NAICS | Code & Description | Jobs | LQ | Jobs | LQ |
| 90 | Government (all branches) | 299,840 | 0.98 | 627,590 | 1.15 |
| 62 | Health Care & Social Assistance | 245,520 | 1.03 | 421,740 | 0.97 |
| 44 | Retail Trade | 205,190 | 1.01 | 349,130 | 0.98 |
| 31 | Manufacturing | 181,840 | **1.17** | 289,900 | 1.03 |
| 72 | Accommodation & Food Services | 162,340 | 0.99 | 250,530 | 0.86 |
| 54 | Prof., Scientific, & Tech. Services | 104,720 | 0.87 | 218,330 | 1.00 |
| 23 | Construction | 103,550 | 0.99 | 191,170 | 1.11 |
| 56 | Admin./Support Services | 108,920 | 0.92 | 171,910 | 0.81 |
| 81 | Other Services (except Public Admin.) | 98,960 | 1.05 | 160,020 | 0.96 |
| 42 | Wholesale Trade | 74,580 | 0.97 | 130,980 | 0.96 |

Source: EMSI 2015.2 – QCEW Employees, Non-QCEW Employees, and Self-Employed

Notes: Employment figures are rounded to nearest tens place. LQs greater than 1.15 and less than 0.80 are highlighted

# Gross Domestic/Regional Product, 2013

GRP per capita with comparison to US

| | GRP (in billions) | POPULATION | GRP PER CAPITA | RELATIVE TO US (US = 1.00) |
|---|---|---|---|---|
| Washington | $399 | 6,973,742 | $57,144 | 1.10 |
| Oregon | $219 | 3,928,068 | $55,757 | 1.07 |
| **United States** | **$16,514** | **316,497,531** | **$52,176** | **1.00** |

Source: EMSI Input-Output Model (2013); US Census Bureau, Population Division; TIP Strategies