

Inclusive Growth for Cities

A Guide to Diagnose Challenges
and Opportunities in Economic
Development

Authors¹

LaChaun Banks
James Carras
Jorrit de Jong
Adam Hawksbee
Angelo Kalaw
Henry McKoy
Dana Niu
Katie Shultz

Advisors and Contributors

Rafael Carbonell
Josh Carpenter
Tania del Rio
Jeana Dunlap
Loren Nadres

¹ In alphabetical order

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This is the second and abridged version of this guide. The authors welcome feedback as they continue to improve and update it with the latest resources for data-informed inclusive economic development. Please send your comments to cityleadership_research@harvard.edu.

Executive Summary

This guide helps city leaders and staff translate a commitment to inclusive economic growth into action. It offers the following:

- 1 A diagnostic tool to assess the **organizational readiness** of city hall to do the work;
- 2 A diagnostic tool to assess the current **state of a local economy, historical trends, and benchmarks**; and
- 3 Guidance for **setting goals and taking action**.

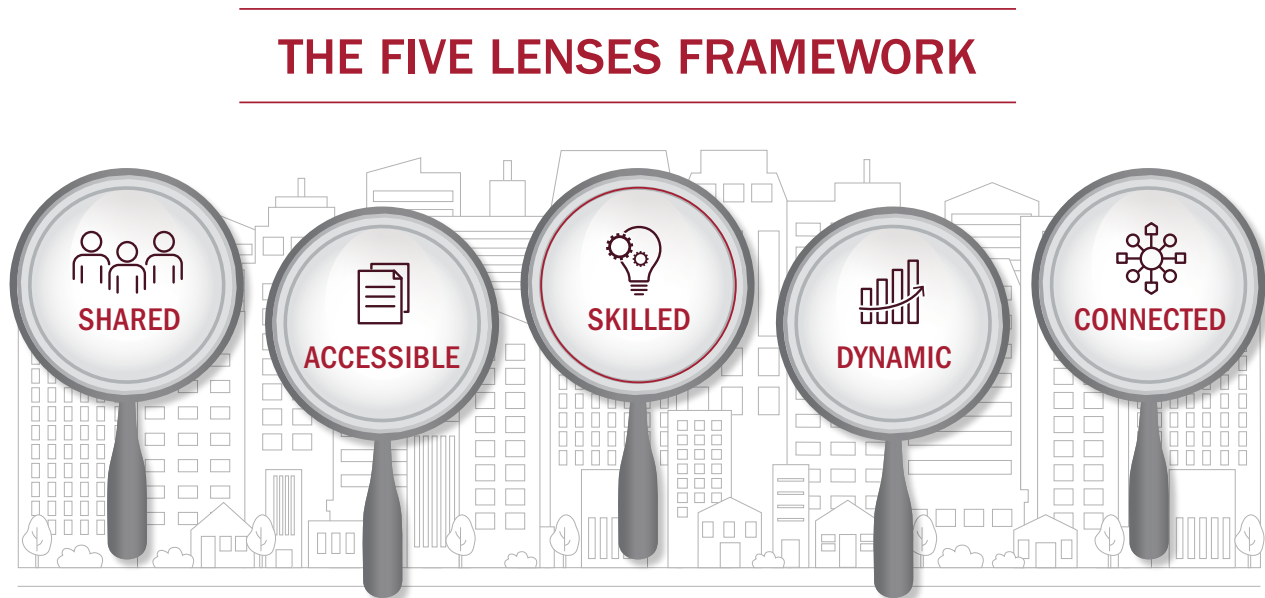
These tools, practices, and insights can help city leaders craft an economic development strategy tailored to the unique needs, goals, and strengths of a city.

City leaders who are committed to increasing inclusive economic opportunity and prosperity for all residents face the challenge of identifying and using the right levers. While many factors are outside the direct scope of control of city leaders, there are ways in which they can enable growth, reduce poverty, advance social mobility, absorb shocks, and improve overall outcomes.

Five key aspects (or “lenses”) of local economies determine the likelihood of accomplishing these objectives. As illustrated in Figure ES-1, an inclusive and resilient economy is:

- 1 **Shared:** The economy represents demographic diversity in economic opportunity, activity, ownership, and wealth.
- 2 **Accessible:** All have access to the information, services, capital, real estate, and infrastructure to pursue economic opportunity.
- 3 **Skilled:** The level and distribution of educational attainment is adequate, and professional skill required for employment in high-quality jobs is present in the local workforce.
- 4 **Dynamic:** There are high levels of labor market participation and entrepreneurship across all demographics and existing industries generate and attract new businesses.
- 5 **Connected:** Cross-sectoral coordination and collaboration between government, businesses, non-profits, and anchor institutions enable joint problem-solving and synergy in pursuing inclusive growth opportunities.

Figure ES-1



What works for one city will not work for all cities. This guide helps you diagnose your city's challenges through the five lenses depicted above in Figure ES-1 by providing an overview of available data-analytic resources. It also provides frameworks to assess your organization's readiness and guide collaborative strategizing across organizational boundaries. Finally, the guide helps you think about designing an inclusive economic growth approach that works for your city.

Economic development requires careful analysis, strategic navigation, and fast learning to create local solutions. To build a more inclusive economy in the future it is important to understand and acknowledge economic injustices in the past and present. This process needs to be data-informed and rooted in rigorous analysis to make sure potential solutions match the actual problems. It also needs to be collaborative to engage affected parties and partners needed to execute the plans. This guide provides some scaffolds for that work.

Introduction: Inclusive Economic Development in Cities

What Is Inclusive Economic Development?

Nobel Prize winning economist and philosopher Amartya Sen describes development as the process of “expanding the real freedoms that people enjoy.” Sen argues, “Development requires the removal of major sources of unfreedom: poverty as well as tyranny, poor economic opportunities as well as systematic deprivation, neglect of public facilities as well as intolerance or overactivity of repressive states.”² Inclusive economic development, in this view, is the effort to expand economic freedom for all. It starts by recognizing that some people and communities have been marginalized and “unfree” throughout history and that economic inequality continues to persist in the present. While slavery and segregation laws were explicit forms of unfreedom, today’s exclusion manifests itself in limited educational opportunity, discrimination in the labor market, barriers to access capital, commercial real estate, government contracts, and so on.

Various organizations have defined inclusive growth development in slightly different ways, but in essence it all comes down to a fairer and more sustainable distribution of economic opportunity and prosperity.

Table 1: Various Definitions of Inclusive Growth

Institution	Inclusive Growth Definition
Brookings Institution	Growth is inclusive when it (1) translates into increased household consumption, and (2) those consumption gains are broadly distributed.
International Monetary Fund	Inclusive growth relates to a broad sharing of the benefits of, and the opportunities for, economic growth, and it reflects growth that is robust and broad-based across sectors, promotes productive employment across the labor force, embodies equal opportunities in access to markets and resources, and protects the vulnerable.
OECD	Inclusive growth is economic growth that creates opportunities for all groups of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society.
World Bank	Inclusive growth refers both to the pace and pattern of growth, which are considered interlinked, and therefore need to be addressed together. Rapid pace of growth is unquestionably necessary for substantial poverty reduction, but for this growth to be sustainable in the long run, it should be broad-based across sectors, and inclusive of the large part of the country’s labor force.

Sources: Megan Dooley and Homi Kharas, “How inclusive is growth?” Brookings Institution, November 2019, <https://www.brookings.edu/blog/future-development/2019/11/22/how-inclusive-is-growth/>; International Monetary Fund, “Fostering Inclusive Growth,” 2017, <https://www.imf.org/external/np/g20/pdf/2017/062617.pdf>; OECD, “Opportunities for All: The Framework for Policy Action on Inclusive Growth,” OECD Publishing, Paris, 2018, <https://oe.cd/2hJ>; Elena Ianchovichina and Susanna Lundstrom, “Inclusive Growth Analytics: Framework and Application,” World Bank, March 2009, <http://documents1.worldbank.org/curated/en/771771468180864543/pdf/WPS4851.pdf>.

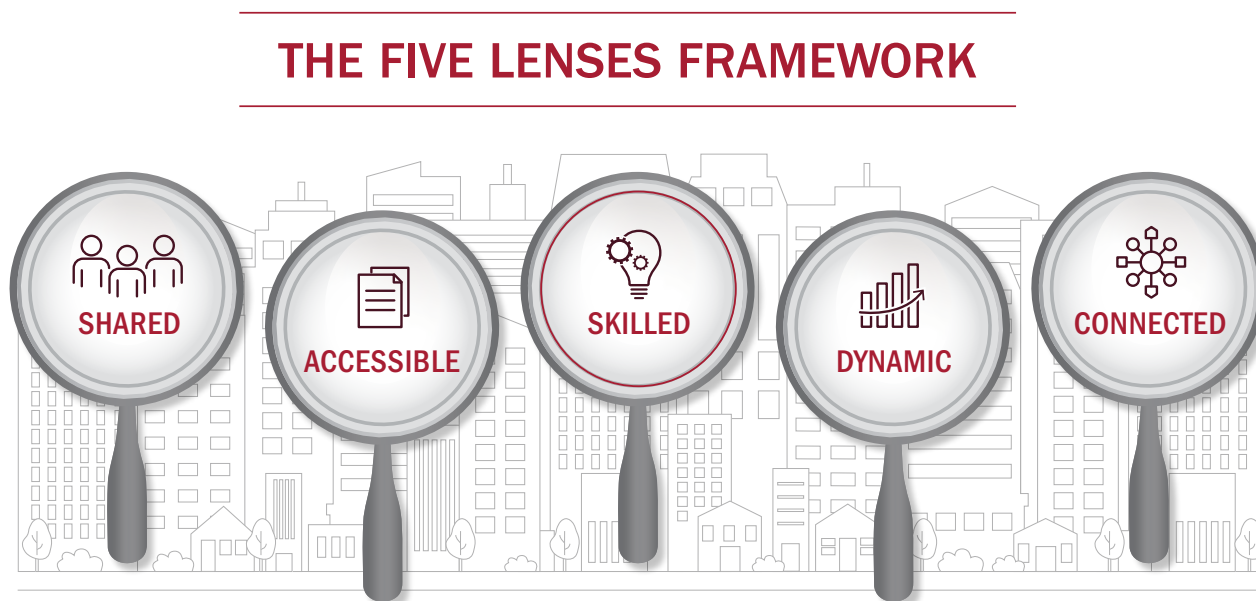
² Sen A., “Development as Freedom,” New York: Alfred Knopf, 1999.

Each city can—and should—define inclusive growth in its own way. Be specific about what this means so you can be focused on your diagnosis of problems, concrete in your action plans, and strategic in your interventions. City governments may not be able to reverse history or change the macro conditions that continue to reproduce social inequality along lines of race, ethnicity, etc. However, city governments do hold levers that can make a difference in the local economy. There are policies and practices in cities around the country that intentionally remove barriers and expand opportunity. To determine which practices are worth adopting, city leaders need to first assess the status quo: what are the specific “unfreedoms” or challenges to inclusive economic opportunity locally?

The “Five Lenses Framework” (see Figure 1) brings together a variety of insights from academic research, diagnostic approaches, and data-analytic resources. It has been developed in collaboration with a diverse group of practitioners working in and with cities on inclusive economic development. It consists of five aspects. Each aspect is a lens through which a local economy can be examined, hence the name “Five Lenses Framework.” The lens “shared” is the central aspect in that it relates to the desired outcome: a truly inclusive economy in which there is opportunity for all and shared prosperity enabled by equal access, local talent, cross-sector collaboration, and dynamic growth.

The five lenses are complementary rather than mutually exclusive. They help zoom in on highly intertwined aspects rather than distinct variables. The framework is designed to guide a comprehensive, data-informed inquiry into—and conversation about—mutually enabling or constraining factors, while keeping the value of inclusion and economic justice front and center.

Figure 1





What This Guide Does and Does Not Do

Inclusive development is complex and there is no one-size-fits-all approach. To help city leaders examine aspects of their economy and identify opportunities for improving economic development, this guide offers diagnostic tools that help you evaluate which promising practices are worth considering in your city. (Note that we avoid the term “best practice,” as a practice that is “best” for one city may not be good for another city.) A value-driven, data-informed, collaborative process, backed by a strong leadership commitment can help cities make informed policy choices. This guide is designed to help city leaders navigate the first important steps on a longer journey.

Use and Structure of the Guide

You can use the guide in pieces or in its full sequence; it is structured as follows in Table 2:

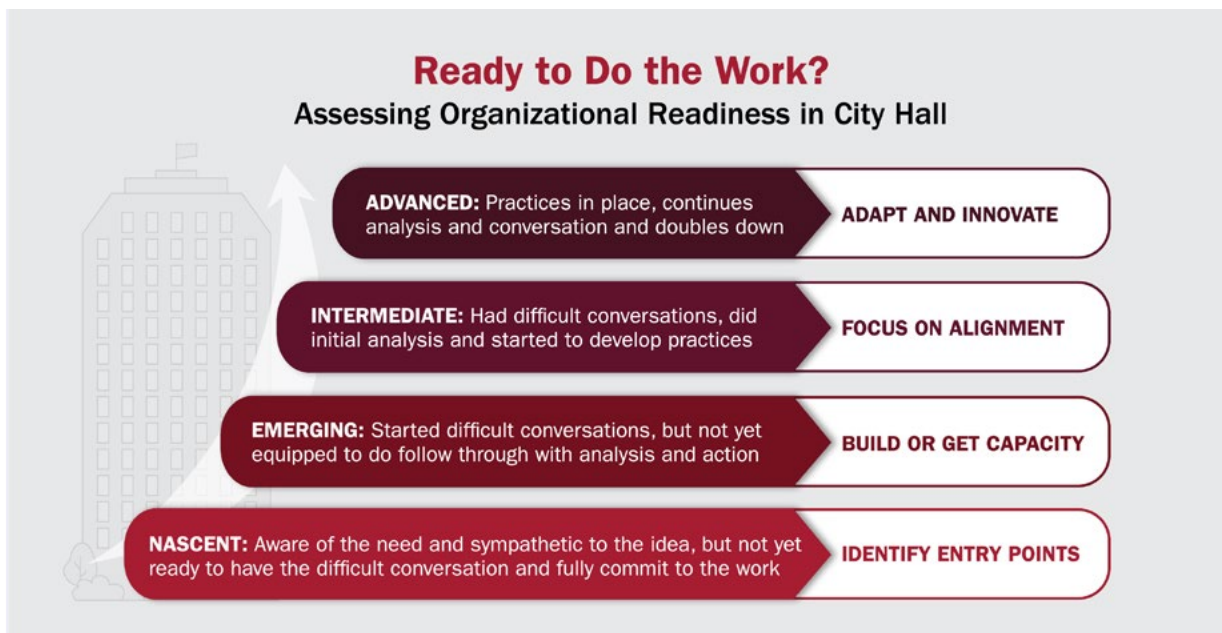
Table 2: *Diagnosis and Action*

Process	Section Title	Main Question/s	Page
 Diagnosis	Diagnostic Tool Part 1: Assessing Organizational Readiness in City Hall	<ul style="list-style-type: none"> Is our city government ready to work on inclusive growth, racial justice, and economic resilience? 	8
	Diagnostic Tool Part 2: Assessing the Local Economy and the Community with the Five Lenses	<ul style="list-style-type: none"> What is the state of our local economy and community? Can the local economy absorb economic shocks? 	12
 Action	Designing an Approach: Finding Solutions that Fit	<ul style="list-style-type: none"> Given the diagnosis, what are our goals for the city? How can we choose an appropriate policy/program to try? 	21

Diagnostic Tool Part 1: Assessing Organizational Readiness in City Hall

Organizational readiness is the degree to which an organization is *willing* and *prepared* to act on an issue.³ *Willingness*, as it relates to this context, is founded in an organization's awareness and recognition of the importance of economic inclusion, and it is reflected by the organization's leadership and prioritization. *Preparedness* refers to how this willingness is translated into efforts, resources, and capabilities to do the work. Considering how ready your organization is will help you identify where to focus your initial efforts. As illustrated in Figure 2, city halls will find themselves somewhere on an organizational readiness spectrum, ranging from nascent to advanced.

Figure 2



The diagnostic tool in this section is a rubric for evaluating your organization's readiness. Following the rubric, we offer questions to dive more deeply into your current state and help with goal-setting. Remembering to engage not just the economic development team but also colleagues from other departments and organizations creates an opportunity for shared learning and collective strategizing around the city's vision. (Engaging with different groups might range from completing the rubric together to asking others just a few questions to gain targeted input.) Differing opinions about your city's current readiness level are bound to arise, and inviting perspectives beyond the internal team can enhance the quality of your diagnostic, communicate the vision, and secure support.

³Tri-Ethnic Center for Prevention Research, Community Readiness for Community Change, Colorado State University, 2014. https://tec.colostate.edu/wp-content/uploads/2018/04/CR_Handbook_8-3-15.pdf

Table 3: A Rubric to Assess Organizational Readiness in City Hall

	Nascent	Emerging	Intermediate	Advanced
Leadership and Policy Priorities				
Political Commitment	The mayor never speaks about the issue and has delegated the work to others.	The mayor occasionally speaks about the issue and is personally involved in the work.	The mayor frequently speaks about the issue, is personally involved, monitors the data, and has taken several concrete actions.	The mayor speaks about the issue in connection to other issues, monitors data, and consistently drives transformative change.
Policy Prioritization	Discussions are limited, inclusive development is not a priority for the city.	Conversations are happening and inclusive development is tagged as priority.	Actively reviewing current data and policies in order to follow through.	Inclusive development is a declared priority and informs all relevant policies.
Economic Growth and Inclusion Plan	Does not currently have a plan.	Currently organizing work to create a plan.	Engaging constituents and writing a plan.	Economic growth and inclusion plan is officially adopted and published.
Legacy Awareness and Inclusion Competencies	Focus of conversations is on the future.	Openness to discussing historic injustices.	Training and focused conversations about how the past led to the present.	Public acknowledgment of past injustices and incorporation into policy.
Legislation and Programming	No specific legislation and programming.	Working towards legislation and programming.	Some ordinances and programs, primarily in economic development.	Legislation and programming across an array of policy areas.
Staffing and Cross-Boundary Collaboration	Inclusive development is nobody's primary responsibility.	The economic department has tasked one or more staff.	There is an Inclusive Development Head or Chief Equity Officer.	All departments have dedicated staff focused on inclusion.
Participatory Design	Policy is designed by experts and internal staff.	Resident feedback is solicited in the early stages.	Community engagement happens at various stages in multiple ways.	City residents are integral partners in making, executing and evaluating policy and programs.

	Nascent	Emerging	Intermediate	Advanced
Programming and Resource Allocation				
Scale	No specific programs for inclusive development.	Specific programs are currently being designed or piloted.	Successful pilots are being prepared for scaling.	Various programs have been scaled; focus on learning and improving.
Financial Commitment	Resources spent on inclusive development are negligible.	Resources are spent on an ad hoc basis; no overview of spending.	Tracking spending on inclusion in multiple departments.	There is an integrated multi-year budget for inclusive development.
Link between Spending and Historic Disinvestment	No tracking of spending and historic disinvestment.	Emerging awareness of need to track spending and investment.	Tracking spending and investment but no systematic way to match current resource allocation to historic disinvestment.	Matching current resource allocation to historic disinvestment to address root causes of current disparities.
Procurement Practices	Equity impacts of procurement practices not reviewed.	Equity impacts of procurement practices under review.	Guidelines in place to make procurement more equitable.	Active monitoring and publication of equity impact of procurement.
Measurement and Transparency				
Measurement System and Quality	Not yet tracking inclusive development metrics and indicators.	Systems of measurement in place, but tracking of inclusive development indicators is indirect.	Has a defined set of metrics and indicators for inclusive development, and it is consistently tracked.	In addition to consistent tracking, measures are in place to integrate these indicators into decision-making and planning.
Community Feedback and Audits	Not yet actively engaging citizens in topics of inclusive development.	Developing mechanisms to engage and listen to the community and their experiences.	Mechanisms in place to understand the public's experience of inclusive development, but not on a regular basis.	Ongoing community feedback using surveys, interviews, focus groups; independent audits by experts and community.
Public Access to Information	The public has no access to information about efforts and results.	Information about efforts and results available but not user-friendly.	Information about efforts and results offered in a user-friendly way.	Information accessible and actively pushed out; open data available and analysis is encouraged.
Communication	No communication about inclusive development.	Occasional communication about the theme.	Regular reports on progress and opportunities to discuss.	Reports, real-time public dashboards, regular town hall and community meetings.

Interpreting Your Assessment

Based on your use of the rubric above, how would you assess your organization's current state in each of the three main categories? Place a checkmark in the corresponding columns below (Table 4).

Table 4: Your Assessment

	Nascent	Emerging	Intermediate	Advanced
Leadership and Policy Priorities				
Programming and Resource Allocation				
Measurement and Transparency				

Given your responses, what can be said about your city government's readiness? Is your city government both *willing* and *prepared* to work on inclusive development?

After you have made your assessment, it may be helpful to ask the following questions:

- 1 Which areas are the strongest? Which ones are the vulnerable spots?
- 2 What is the city currently doing to improve its readiness? Are there any barriers to progress?
- 3 Where do you need more information and how might you get it?
- 4 What ideas do these insights spark about how to focus your initial reforms?

Diagnostic Tool Part 2: Assessing the Local Economy and the Community with the Five Lenses

Now that you have assessed your organization, this portion of the guide will assist you in understanding your city, as it relates to inclusive development. This section looks at the conditions of the local economy. It provides a data-informed basis for understanding the city's need for inclusive development.

Setting a Baseline, Benchmarking with Other Cities, and Data Diversity

Setting a baseline

A baseline is a measurement of conditions before taking policy action. It is an assessment of the current state of one or more aspects of your economy and community and it helps you monitor progress and evaluate future actions.

Benchmarking

Benchmarking is comparing your city with another on key variables. It is important to choose the appropriate cities to benchmark; you should choose a city that your city shares essential circumstances with.

Using multiple sources and qualitative data

Since no data set perfectly captures all relevant dimensions of the problem (or variables might exclude certain groups), it is important to draw on different sources of data, including qualitative data. Interviews, focus group discussions, and citizen surveys can enrich your analysis.

Below, each lens of the Five Lenses Framework is broken down into sub-aspects, and each sub-aspect includes indicators, metrics, and suggested data sources and methodologies. For each suggested data source or method, we explain how you can use it to conduct an analysis for your city.










Shared: Economic Opportunity, Activity, Ownership, and Wealth Is Distributed across Demographics

A city economy is shared if economic opportunity, activity, ownership, and wealth are not concentrated in one demographic group. In a shared economy, these elements are distributed across multiple demographic dimensions: race, ethnicity, gender, immigration status, ability, age, neighborhood location, etc. The degree to which an economy is shared is a key indicator of progress towards a more inclusive economy.

Below (Table 5) are metrics regarding business ownership, revenue, and investment in relationship to demographic characteristics, and composite indicators of inclusion that include metrics on growth, prosperity, home ownership, transit dependency, residential segregation, and more.

Table 5: Shared Indicators

Aspect	Sub-Aspect	Indicators	Source	How to Use this Data
A SHARED LOCAL ECONOMY	Racial and Gender Composition	<ol style="list-style-type: none"> Share per race/gender of all firms' ownership Share per race/gender of all firms' revenue 	Survey of Business Owners (US Census Data) 	Change the <i>Geographies</i> filter of the table to your city and look at the <i>Total for all sectors</i> (NAICS code 00). It will display the number of firms and their total revenue per gender and race, which can be calculated as percent share. This can show the concentration of ownership and revenue among particular groups.
	Entrepreneurial Equity	<ol style="list-style-type: none"> Equitable economic ecosystem strength and gap analysis 	Hygio-economic Parity Index (HEPI) (combines American Community Survey (ACS) and Survey of Business Owners and Self-Employed Persons (SBO) data) 	This index was created to measure entrepreneurial equity in 21 cities in the U.S. The HEPI is a composite index that compares a racial population's share of the entrepreneurial economy to that of equity/parity and to other groups. If your city is not included in the index, you may refer to their Annex for the methodology.
	Economic Inclusion	<ol style="list-style-type: none"> Metropolitan inclusion index (includes growth, prosperity and inclusion by race) 	Brookings Institution 	Brookings' dashboard shows a city's performance through the dimensions of inclusion across time (1 and 10 years) and compared to the national trend. Brookings uses sub-indicators from Census data to define and rank each city on each of these dimensions. You can use this as a framework to assess inclusion using Census data.
	Economic Equity	<ol style="list-style-type: none"> Metropolitan Equity Report Card (includes residential segregation, poverty, income, home ownership, transit dependency, etc.) 	University of Pennsylvania (Working Paper) 	This report defines equity (versus inclusion) across ten socio-economic factors and creates a composite index for 383 U.S. cities. You can find how your city fares in this ranking or use this as a framework to assess the level of multi-dimensional equity in your jurisdiction.

Aspect	Sub-Aspect	Indicators	Source	How to Use this Data
A SHARED LOCAL ECONOMY	Financial Well-being	6. Poverty status in the last 12 months by sex and race	American Community Survey 	Customize the table and change the <i>Geographies</i> filter of the table to your city. Poverty status should indicate differences in income and wealth across race or gender in your city and allows you to identify groups that may need more focus.
	Upward Mobility of Neighborhoods	7. Children's outcome prediction by neighborhood	Opportunity Atlas 	The Atlas allows you to measure the average outcomes (e.g., earnings) of children who grow up in each neighborhood in America, by demographic subgroup (race, gender, and parental income). You can choose which outcomes are most important for your city, including income, educational attainment, and employment. Through this, you can better understand the neighborhood characteristics and their causal effects on the upward mobility of children. In turn, you can see which neighborhoods may need more attention to improve socioeconomic outcomes for residents.
	Wealth & Income Distribution	8. Black wealth equity by county	Greenwood Initiative's Black Wealth Indicator Tool 	The tool allows you to explore data on assets and debt, business ownership, education, employment, and homeownership specifically for the Black population in the United States.

Questions to ask yourself

- 1 If you break down business ownership in your city by race and gender, what patterns do you see?
- 2 How have these patterns developed over time? What is the direction of the trend?
- 3 What confirms your understanding of the city's economy? What surprises or concerns you?
- 4 How does the racial and gender breakdown of your city compare to other cities? How might the differences be explained? What's your hypothesis?
- 5 Where is your city's economic ecosystem strong and equitable? Where is it weak or vulnerable? What are the main areas for improvement?
- 6 Which neighborhoods have the lowest predicted outcomes according to Opportunity Atlas? Based on your history, what might explain this?





Accessible: Access to Information, Services, Capital, Real Estate, and Infrastructure to Pursue Economic Opportunity




A city economy is accessible if its residents, regardless of personal background or identity, have access to the things they need to participate in the economy. There is often a mismatch between *de jure* access and *de facto* access: there are many covert and overt ways in which individuals and groups are denied their rights. From redlining in the twentieth century that denied access to home loans to the practice of unpaid internships that give CV-building opportunities to those who can afford to do unpaid work, access is a critical aspect of an inclusive economy.

Below (Table 6) are indicators to examine accessibility from three viewpoints: the access to and distribution of opportunity across neighborhoods, access to affordable living, and access to capital. Together, these give a picture of how the cities allow or hinder their residents from pursuing economic activity and maintain quality of life.

Table 6: Accessible Indicators

Aspect	Sub-Aspect	Indicators	Source	How to Use this Data
AN ACCESSIBLE LOCAL ECONOMY	Access to Opportunity	1. Community characteristics such as job growth rate, share of college graduates, and density of jobs	Opportunity Atlas 	The Opportunity Atlas provides a snapshot of prevailing neighborhood characteristics across the U.S. This is a good indicator to assess the spatial distribution of opportunity in a city. You can ask these questions: if someone decides to live in a community, are there available jobs? If someone decides to start a business, is there available talent?
	Access to Affordable Living	2. Consumer Price Index 3. Median rent prices broken down between residential and commercial 4. Cost of living index	US Bureau of Labor Statistics  US Department of Housing  Council for Community and Economic Research (CCER) 	<p>Taken together, these three data points provide a picture of the affordability of living, working, and running a business in your area.</p> <p>The Consumer Price Index (CPI) is a measure of how expensive goods and services in a region are.</p> <p>Rent prices will affect decisions on where businesses lease and workers reside.</p> <p>The CCER cost of living index is a private composite index that ranks the standard of living across selected various cities in the U.S.</p> <p>You can compare these data points to median earnings per race or gender in your city and assess how accessible your city's economy is to various groups.</p>

Aspect	Sub-Aspect	Indicators	Source	How to Use this Data
AN ACCESSIBLE LOCAL ECONOMY	Access to Capital	5. Number of financial institutions in your city	Federal Deposit Insurance Corporation (FDIC) 	You can search the number of banks and FDIC-insured institutions in your area. You can then reach out to these institutions and ask for their practices on providing equitable access to capital and for data on their performance.

Questions to ask yourself

- 1 Where is your city strong in providing opportunities and where is it weak? What are your hypotheses regarding the causes and consequences?
- 2 Who benefits most from these opportunities and who doesn't? What are the mechanisms that cause this reality? What is driving these costs and uneven opportunities?
- 3 How affordable is your city to those workers and entrepreneurs who are most financially disadvantaged?
- 4 What are the financial institutions in your city doing to provide equitable access to capital? What are their policies and what are the results? How does the breakdown by race and gender of loans provided compare to the demographics of your city and business community?








Skilled: Level and Distribution of Education and Professional Skill Required for Employment in High-Quality Jobs

A city economy is skilled if it possesses, leverages, and continually invests in the talent, knowledge, and skills of all its community members. Furthermore, it is skilled if its workforce is adequately prepared and positioned to take advantage of evolving marketplace opportunities. Lastly, all community members, regardless of identities, are provided with the human capital and training to be competitive in the modern economy.

The indicators below (Table 7) could be viewed as an assessment of labor market dynamics in the local economy. They can help you understand the ability of the current stock of labor to supply the needs of the industry, but also the dynamism of the labor force and its ability to adapt and upskill to obtain quality jobs.

Table 7: Skilled Indicators

Aspect	Sub-Aspect	Indicators	Source	How to Use this Data
A SKILLED LOCAL ECONOMY	Availability of Jobs and Skills	1. Job opening and hiring rate	Bureau of Labor Statistics 	By looking at the difference between the job openings rate versus the hires rate, this can give an indication of your local economy and its adequacy in supplying workers by industry.
		2. Educational attainment by group (race, gender, and foreign born)	US Census Bureau 	The US Census provides levels of educational attainment, a proxy for the quality of skills in the economy. The breakdown per race and gender could reveal patterns of schooling across different population groups.
		3. Educational attainment trends (change over 10-year period)	State Science & Technology Institute (SSTI) 	The SSTI data looks at level of attainment of bachelor and higher degrees in 150 of the largest metropolitan areas in the U.S. and its change between 2007 and 2017. This is an indicator of the improvement in cultivating a skilled and educated workforce in a city.

Aspect	Sub-Aspect	Indicators	Source	How to Use this Data
	Opportunity to Upskill the Workforce	<p>4. Alignment of higher education output and industry demands</p> <p>5. Continuing education opportunities</p>	<p>US Department of Education</p>  <p>National Center for Education Statistics</p> 	<p>By looking at local colleges' performance, you can assess their capacity and success in educating and honing skills of the workforce and whether the offerings are aligned with industry needs.</p> <p>NCES data helps you analyze the variety of means by which a worker may acquire new skills or update training in line with the needs of the economy.</p> <p>Taken together, these two data points offer a perspective on the avenues available to acquire knowledge and skills in your economy and provide leads on areas that may need further investment to maintain a skilled workforce.</p>

Questions to ask yourself





- 1 How does the level of skill of your workforce compare to the level of skill businesses need?
- 2 Who gets hired? Are jobs in your city being filled by residents of your city? What are the reasons behind people leaving their jobs? Who is getting hired more, who is getting hired less?
- 3 Are there significant differences in educational attainment and skill level among groups in your city? What explains this difference?
- 4 Are there pathways for diverse groups to refresh and acquire new skills in your city?






Dynamic: Level of Labor Market Participation, Innovative Entrepreneurship, and Economic Complexity

A city economy is dynamic if new businesses and new jobs are being created and if potential synergies between sectors and unfulfilled potential in the community are being explored and exploited. Economic complexity, high rates of entrepreneurship, and labor force participation are some indicators of dynamism. It is important to note that pockets of high growth are not inherently equitable, but they can create opportunities for equitable employment and wealth creation through thoughtful policy choices.

Table 8: Dynamic Indicators

Aspect	Sub-Aspect	Indicators	Source	How to Use this Data
A DYNAMIC LOCAL ECONOMY	Labor Market Dynamics	<ol style="list-style-type: none"> 1. Labor force participation 2. Economic dynamism a the state level 	<p>U.S. Bureau of Economic Analysis (BEA)</p>  <p>The Index of State Dynamism - Economic Innovation Group</p> 	<p>This data helps analyze broad trends in overall economic activity (population growth, local GDP) and assess whether there is wide participation across race and gender. By looking at the industry breakdown, we can also assess the extent to which a city relies on particular sectors.</p> <p>The Index of State Dynamism is an online tool that measures and ranks state performance across multiple measures of economic dynamism over time. States matter because they hold many policy levers that influence the course of dynamism, from labor market regulations to permitting processes and more.</p>
	Self-Employment	<ol style="list-style-type: none"> 3. Self-employment 4. Entrepreneurship by choice or necessity 	<p>Current Population Survey</p>  <p>Kauffman Indicators of Entrepreneurship</p> 	<p>You can analyze entrepreneurship patterns in your city by age, sex, and race. Note that the level of entrepreneurship may reflect a lack of access to jobs, as there is a difference between entrepreneurship by choice and entrepreneurship by necessity.</p> <p>The Kauffman Indicators help you analyze data from the U.S. Census to describe entrepreneurial activity in your area. The data is available at the state level and gives a more concrete measure of innovation by looking at the rate of new business creation and early-stage entrepreneurship. At the same time, it helps distinguish which entrepreneurship is driven by choice rather than by lack of employment.</p>

Aspect	Sub-Aspect	Indicators	Source	How to Use this Data
A DYNAMIC LOCAL ECONOMY	Economic Complexity	<p>5. Economic complexity and potential</p> <p>6. Economic complexity index for cities</p>	<p>Center for International Development</p>  <p>Brookings Institution</p> 	<p>Economic complexity seeks to measure the overall potential to add complex industries in a city/area and also each industry's propensity to spur enduring growth in a city/area. Policymakers can use these metrics to chart their unique paths toward more inclusive growth.</p> <p>The Brookings Institution provides a calculation of this complexity for selected metro areas in the U.S.</p>
	Urban Economy Navigator	7. Economic composition of cities	<p>Metroverse – Growth Lab</p> 	<p>This tool provides you with information on what the economic composition is of your city, as well as how your city compares to other cities with a similar industrial composition. This tool also analyzes what your city specializes in and your position in the industry space at a national level.</p> <p>Metroverse delivers insights on the economic composition of your city by placing a city's technological capabilities and knowhow at the heart of its growth prospects, where the range and nature of existing capabilities strongly influences how future diversification unfolds.</p>

Questions to ask yourself


- 1 Is there an obvious concentration of registered businesses and total employment in certain industries?
- 2 What is the nature of these industries? Are they sustainable? To what type of shocks are they vulnerable? Which startups are booming?
- 3 Are there noticeable differences in patterns of entrepreneurship, employment, and incomes of your citizens based on race, gender, and educational attainment?
- 4 Which industries are the most strategic for your city based on the Economic Complexity Index for Cities? How could you accelerate these industries?

Connected: Cross-Sectoral Collaboration between Businesses, Networks, and Anchor Institutions



A city economy is connected if it has a dense network of demographically and geographically diverse civil society and anchor institutions that provide leadership and support action from outside of government. Networks of community groups, philanthropies, anchor institutions, business associations, etc., can play important roles in supporting economic activity, driving inclusion, and taking advantage of regional growth and opportunity.

Table 9: Connected Indicators

Aspect	Sub-Aspect	Indicators	Source	How to Use this Data
A CONNECTED LOCAL ECONOMY	Cross-Sector Collaborations	1. Number of organizations pursuing economic development	City Business Registry	Collectively, a city's business registry data should provide a picture of the breadth of organizations that are working towards increasing inclusivity and equity in your city. This may give an indication of the possibilities for coordination, synergies, sharing of resources, and collaborations towards inclusive development, rather than city government doing all the work.
		2. Local federation of nonprofits	See your local sources	
		3. Map of anchor institutions (small business development centers, business incubators)	PolicyMap (Offers an option to "enter without logging in") 	As with above, data from a local federation of nonprofits should provide a picture of the breadth of organizations that are working towards increasing inclusivity and equity in your city. PolicyMap allows you to search for the location of different types of institutions close to your community, such as incubators and entrepreneurship centers. This may form part of the information services that the city provides to businesses, and also the city's strategic planning in fostering cross-sector collaborations for economic development.

Questions to ask yourself

- 1 How extensive is the network of entrepreneurial actors outside of government (e.g., accelerators, incubators, investors, anchor institutions, community organizations)?
- 2 How many are playing an active role in inclusive development?
- 3 How do you coordinate with them?
- 4 How easily accessible are resources in your city to the under-represented?

Designing an Approach: Finding Solutions that Fit

After performing an organizational readiness assessment and an assessment of your local economy, it's time to set concrete goals.

Recap:

- 1 Diagnostic Tool 1 helped you assess your organizational readiness to engage in inclusive development work.
- 2 Diagnostic Tool 2 helped you use the Five Lenses Framework to analyze your local economy and community.

Next up:

- 1 Setting goals and finding comparison cities.
- 2 Going from diagnosis to action.

This section will walk you through engaging stakeholders from all sectors and adopting a process of experimentation and learning that uses metrics aligned with your goals. (For more information on collaborating with residents and other community partners in public problem-solving, see our [city leader guide on civic engagement](#).)

Setting Goals

Based on the insights you have acquired, your next step is to set improvement goals for your city. These goals should be both ambitious (given the fact that the problem is so complex and the need so great) and SMART (Specific; Measurable; Achievable; Relevant; Time-bound).⁴

Below are a few key questions to help you in stating goals:

- Given your analysis of the local economy and your commitment to inclusive growth, what would success look like? How would you measure progress?
- When would you be able to say your city's economy is strong and inclusive *enough*? How shared, accessible, skilled, dynamic, and connected would your city need to be?
- Are you ready to commit to these goals? What are the chances and consequences of not achieving them? What would need to be done to increase the odds of success?
- What is the appropriate timeframe for these goals? What would intermediate indicators look like? What data would tell you that you are moving in the right direction?
- Might there be unintended consequences of selecting certain goals? Where might resistance or opposition to these goals come from and how are you preparing to deal with that?

Your City's Comparison




Cities often compare themselves to cities with similar population size, GDP, economic history, or geographic location. While that may be insightful and helpful in some ways, these dimensions do not necessarily tell you if a particular economic development strategy is a good fit with your local context. Finding a set of promising practices to consider for your inclusive economic development strategy requires looking at factors beyond size, location, and history. In the table below (Table 10) you can find tools that help identify peer cities based

⁴ Adapted from George T. Doran, "There's a S.M.A.R.T. Way to Write Management's Goals and Objectives," *Management Review*, Vol. 70, Iss. no. 11 (1981): 35-36.

on composition of the industrial landscape and capabilities; equity, resilience, housing and economic outlook; and composition of supply and demand in the job market.

In addition to using quantitative data to find relevant benchmark cities, qualitative data and community input can help develop a picture of how a community sees itself and what it aspires to be. Stakeholder meetings can help city leaders and staff better understand how a community perceives the city’s history, experiences the city’s present, and envisions the city’s future. By presenting and discussing examples of cities that are suitable peer cities based on quantitative tools, other, less measurable factors can be taken into consideration. This will help narrow down the list of potential cities to review in the process of identifying promising practices and setting up concrete benchmarks.

Table 10: Finding Comparable Cities

Source	Categorization	Summary
<p>Metroverse</p> 	<p>Similar Industrial Composition</p>	<p>Metroverse is the urban economy navigator developed by Harvard University’s Growth Lab. It is based on over a decade of research on how economies grow and diversify and offers a detailed look into the specialization patterns of cities. Metroverse generates a set of cities that share a similar industrial composition (as opposed to population or GDP metrics). By this methodology, Metroverse can assess the similarity between the economies of different cities by looking at whether they are competitive in the same industries. This similarity helps select cities that may have similar development opportunities and challenges, or that may give a sense of what industries are feasible in a city. Metroverse offers up to 7 different comparator groups, as well as the option to choose any single city as a comparator.</p>
<p>Federal Reserve Bank of Chicago</p> 	<p>Equity, Resilience and Housing</p>	<p>This Peer City Identification Tool (PCIT) is a data comparison and visualization instrument that can help policy makers and practitioners understand a municipality in the context of peer cities. Drawing on city-level indicators from the American Community Survey and historical Decennial Census records, the PCIT performs a cluster analysis to identify groups of similar cities along economic, demographic, social, and housing dimensions.</p> <p>Peer cities are grouped along four themes: Equity, Resilience, Outlook, and Housing. Equity incorporates the wage-based Gini coefficient,⁵ race and ethnicity-based dissimilarity indices, changes in poverty levels, and educational attainment. Resilience considers conditions and trends in manufacturing employment, labor force participation, and unemployment. Outlook incorporates demographic and economic factors, including immigration, family composition, age structure, and changes in population. Housing incorporates data relating to homeownership, renting, the quality and competitiveness of housing stock, and housing vacancies.</p>
<p>NY Times – What is your City’s Twin</p> 	<p>Job Mix</p>	<p><i>The New York Times</i> published an interactive city comparison tool and article written by the chief economist of Indeed.com, Jed Kolko (2018). One reliable measure of how similar two cities are is their job mix, which reflects both local advantages and history (such as a port or universities) and local demand (such as a young population that needs teachers, or an older population that needs nurses).</p>

⁵ The Gini coefficient represents inequality in a range of 0 to 1. Zero expresses perfectly equal income distribution, while 1 expresses perfect inequality.

From Diagnosis to Action

Matching Solutions from Elsewhere to Local Circumstances

With a better understanding of your city and appreciation of your goals at hand, you can begin to address your areas of growth. Though there is no one-size-fits-all strategy for inclusive development, promising practices have emerged in many cities: investments, ordinances, policies, programs, and other initiatives can make a difference. Not all practices will be a good fit for the specific circumstances in your city and some may actually be counterproductive. The key is to think critically about the specific challenges your city faces, consider the opportunities your diagnosis has revealed, and identify matching interventions. And even if there seems to be a good match between a “solution” and your city’s particular needs, it is important to critically examine under what conditions a promising practice that has been successful elsewhere can produce positive results in your city.




Measuring and Tracking Progress: The Power of Dashboards

The Five Lenses can be a useful framework to set up metrics for success. It may be useful to pick 2-3 key indicators that capture the spirit of each lens, decide on a baseline and a benchmark city, and then commit to anchoring your monitoring and evaluation on this set.

Many cities have invested in publishing and maintaining public dashboards that focus on inclusion. These dashboards provide a quick glance at the current state of progress on specific indicators. Creating a dashboard for your city’s goals can provide a clearinghouse for your team on the current state of progress and can also help you in your communication with constituents and community partners.

Below (Table 11) we feature selected examples of dashboards used by other cities in their work.

Table 11: A Comparison of Different Equity Dashboards

	<u>Bay Area Equity Atlas</u>	<u>Grand Rapids Economic Opportunity Dashboard</u>	<u>Resilient Louisville Plan</u>
			
Location	9 Bay Area counties in California	Grand Rapids, MI	Louisville, KY
Level of the Dashboard	General indicators; organized around themes of people, power, and place	Project-based: Tied to Neighborhoods of Focus Investment Program	City economic development dashboard with equity indicator highlights
Number of Indicators	21	19	3
Key Sectors Covered	Demographics, skills, neighborhood quality, participation	Labor (wages and jobs)	Demographics, labor, poverty rate
Entity Responsible for Maintenance	Multi-sectoral: San Francisco Foundation, PolicyLink, and the University of Southern California	City government	City government
Accessibility	Public	Public	Public

Key questions for your team:

- 1 What baseline metrics are you using, and where are they available?
- 2 At what intervals will you update your evaluation metrics?
- 3 Who holds the responsibility for each update?
- 4 How will you involve community partners and constituents in program evaluation?
- 5 How and when will you communicate those metrics to the public?
- 6 What resources do you need to fulfill strong measurement and communications?

Conclusion: Value-Driven and Data-Informed Economic Development

Creating a more inclusive, equitable, just, and resilient economy for your community is a very difficult task. However, there are profound moral reasons to commit to the work as so many people in cities everywhere are deprived of an opportunity to fulfill their full potential and live a good life. And if their potential is not realized, the full potential of a city is not realized, and a city is not as good as it can be. Inclusive growth and equitable economic development will make your city stronger, more productive, more resilient, and more sustainable in the long term. We conclude with some key takeaways:

Inclusive development requires bold and dedicated leadership.

This is not a “fad” or a “trend” that will come and go. Unfortunately, there will always be groups of people that do not experience equal opportunity, and city leaders have an opening to explore why, propose strategic solutions, and make a difference in the lives of those who have been underserved.

Your internal readiness as an organization is critical to the work.

Investing in your institutions and capabilities is crucial for the success of any programming. This investment can bolster your effectiveness and lay down foundations for continuity.

Choose policies, programs, and interventions that fit the specific circumstances of your particular local context.

What works somewhere else may not work in your city—and even if it does, pay close attention to the conditions under which a particular solution can actually address your problem.

In the face of evolving circumstances, a data-driven approach is your companion to successfully navigate and adjust.

The best way to understand what is changing is by using data to measure what has happened, what is happening, and looking ahead to what could most likely happen.

With a solid diagnosis, a tailored strategy, and a smart process, you can lead effectively in creating a more equitable and inclusive economy for residents in your city.

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The Bloomberg Harvard City Leadership Initiative, located at the Bloomberg Center for Cities at Harvard University, is a collaboration between Harvard Kennedy School, Harvard Business School, and Bloomberg Philanthropies to equip mayors and senior city officials to tackle complex challenges in their cities and improve the quality of life of their residents.

Launched in 2017, the Initiative has worked with 539 mayors and 2,500+ senior city officials in 560 cities worldwide. The Initiative advances research and develops new curriculum and teaching tools to help city leaders solve real-world problems. By engaging Harvard graduate students in research and field work, the Initiative supports current city leaders while investing in future generations. The Initiative also advances the field of city leadership through teaching, research, and new curricular materials that help city leaders drive government performance and address pressing social problems.



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79 JFK Street, Cambridge, Massachusetts, 02138 USA

cityleadership.harvard.edu
cityleadership_research@harvard.edu