What Powers My City's Economic Engine?
Understanding Embedded Local Growth Characteristics

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As part of the Fifth Third Bank and UNC Kenan Institute's Empowering American Cities project, we have developed a measure to reflect the elements that drive an extended metropolitan area's (EMA's) economic growth. We call it "*Embedded Local Growth Characteristics*," or "ELGC" for short. The ELGC is a composite indicator that includes an EMA's productivity, industry mix and demographic shifts. Just like with a car engine, when an economy is running with all cylinders fully powered, it can run faster and with greater output. But clog one cylinder, and you're going to need more fuel to achieve the same effect. Fortunately, there are always steps one can take to optimize the engine again.

What ELGCs affect my city's growth?

Industry Mix and Productivity

Industry mix is the variety and distribution of industries within an EMA, categorized by sectors, such as Finance and Real Estate, Manufacturing, Business Services, and Education and Health. Meanwhile, productivity is a measure of output per worker.

EMAs with strong growth have not only a high degree of diversity in the industry mix, but also a prevalence of high-productivity industries with a large amount of output per worker relative to other industries. At present, the Finance and Real Estate sector is currently the most productive in the US, making up just 6% of the workforce while generating over 20% of gross domestic product. EMAs with a large share of jobs in high-productivity sectors tend to have strong ELGC and high growth potential. The reverse is also true: Those EMAs with a large share of jobs in relatively low-output sectors, such as Leisure and Hospitality, have lower growth potential.

The bottom line is that diversification supports economic resiliency. Every industry goes through periods of growth and decline, so communities that are not overreliant on a single industry are better equipped for general economic stability, quicker rebounds and better growth over the long term.

Population Growth and Demographic Trends

For an economy to grow, it needs an active and growing workforce. A healthy-size "prime working age" population (ages 25-54) and overall EMA population growth (including birth rates outpacing death rates and migration into the area) are considered favorable population and demographic trends. The more positive the demographic trends, the stronger the ELGC and the more robust the engine for economic growth.

Workforce Skill Level

An EMA's workforce is its economy's lifeblood. But quantity of available workers is not enough; they must also have the skills and training that match industry needs. Using education level as a proxy for skill level, we find that EMAs with a high share of educated workers tend to have strong growth potential.

That said, education level is not a perfect measure of skill level—many valuable skills are learned on the job or through vocational training—but there is a positive association between educational attainment and productivity.

How does my city improve its ELGC?

There are many ways a city can improve its economic outlook, and employing long-term vision is essential among them. Specific steps that business and community leaders can take include:

1) Anticipate changing industry trends and identify new technological advances so that businesses remain flexible and meet market demands in the near and medium term.
  - The ongoing shift in the automotive sector from internal combustion to hybrid and electric engines is a contemporary example of an industrywide trend with accompanying challenges and opportunities for businesses.

2) Diversify industry makeup to prevent overreliance on one industry.
  - Local economies can diversify from within by upgrading, augmenting and advancing existing industries.
  - EMAs can also attract new plants and firms from industries currently underrepresented in their area.

3) Invest in community development projects that attract and retain a skilled workforce.
  - These investments should aim to make an EMA more attractive to people of prime working age by providing amenities that appeal to the rising cohort of workers—amenities that include cultural institutions (e.g., theaters and museums), dining and retail establishments, affordable housing, green spaces and transportation.

4) Support public-private partnerships to train and upskill workers to meet the workforce needs of local industry.
  - These partnerships often support trade development programs that establish talent pipelines from local community colleges and other educational institutions to businesses in need of skilled workers.

Consider learning from top ELGC performers

While no two metro areas are exactly alike, it is possible to find EMAs with similar dynamics and a wide range of best practices for optimizing their economic engines. To make comparisons easier, we divide EMAs by size into two ELGC distributions: the largest 50 by population and the next 100 midsize cities.

Top 10 Performers

ELGC RANK	LARGEST 50 EMAS
1	Austin, TX
2	San Francisco Bay Area, CA
3	Seattle, WA
4	Nashville, TN
5	Raleigh and Durham, NC
6	Salt Lake City, UT
7	Dallas and Fort Worth, TX
8	Portland, OR
9	San Antonio, TX
10	Charlotte, NC

ELGC RANK	MIDSIZE 100 EMAS
1	Fayetteville and Springdale, AR
2	Boise, ID
3	Palm Bay, FL
4	Des Moines, IA
5	Fort Collins, CO
6	Charleston, SC
7	Destin, FL
8	Visalia, CA
9	Huntsville, AL
10	Omaha, NE

WANT TO LEARN MORE?
For an in-depth understanding of Embedded Local Growth Characteristics, check out the full white paper, "The Secret Sauce in Local Economies: Why Some Grow Faster Than Others." You can find that white paper and much more about the power of our regional economic indicators for 150 US EMAs at empoweringamericancities.com.