Principles for an Equitable Recovery for the 2020s

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About Smart Incentives

We help communities make sound decisions throughout the incentives process to achieve our community’s economic development goals.

✔ Analyze incentive offerings and program design.
✔ Apply the Smart Incentives 4x4 framework for program management.
✔ Offer access to high-quality business intelligence, data, and analytical methods to guide decisions.
✔ Improve evaluations and reporting on program results.
Shaping the East Bay’s Economic Recovery

What steps are you currently taking that could amplify “countercyclical” equitable investments?

What steps should you be taking?

Which of these are you leading on, partnering on, and/or supporting a regional effort?
Principles for an Equitable Recovery

✔ Think long-term about how to reallocate, leverage, and build.

✔ Structure the response to address the greatest impacts and outcome and develop equitable metrics.

✔ Be creative in assisting businesses to scale-up “pandemic-forced” evolution and innovation and responsive to other trends.
Think Long Term
Macroeconomic Effects...30 - 40 Years

Real rates of return to assets were substantially depressed over multiple decades (Jordà et al 2020).

GDP over the next 30 years slower than past 70 years (CBO 2021)

Low real interest rates provide welcome fiscal space for governments to mitigate the consequences (Hackler 2020).
Labor Market Equity Implications

Headlines about “labor slack” – the unmet demand for jobs – and employers are not finding workers.

**BUT**

Labor market conditions are worse for specific workers looking for work who are not finding jobs (FRBSF 2021).

- Unemployment rates for women
- Unemployment rates for Black
- Unemployment rates for Hispanic/Latinx workers
- % share of the unemployed who are job losers
- People with a long duration of unemployment
- Labor force participation rate declining
Structure the Response
Who, what, and where are suffering the most?

WHY?

Inequitable Jobs Impact

Service Sector Impact

Local Context
Oakland/Alameda County Small Business Impact

Disaggregate Trends

Who, What, Where, Why
Latino- and Immigrant-Owned Business and COVID

Job Loss by Industry and Prevalence in Industry
Equity Gaps

Gender and Race Gaps
- Earnings; Employment and hours; Education; Utilization, and Industry-occupation
  - Disparities by gender and race cost the U.S. $2.6 trillion in foregone GDP in 2019, reaching $3.1 trillion in 2029. (FRBSF 2021)

Wealth Gap
- Black- and Hispanic-owned businesses face challenges of lower revenues, profit margins, and cash liquidity.
  - Black entrepreneurs have higher wealth levels and higher levels of wealth mobility than black workers.
  - Black entrepreneurs have levels of wealth mobility equal to those of white entrepreneurs.
  - Black- and Hispanic-owned businesses with comparable revenues and cash reserves are just as likely to survive as White-owned businesses.

Sources: Farrell et al, 2020; Bradford 2014
Be Creative
Equitable Strategy: ARP and Forward

Leverage ARP Funding
- State, intermediaries, and direct to applying businesses

Rapid Prototypes, Pilots, Hardwire and Embed

Focus Local Small Business Context and Rethink Tax Incentives
- What are the businesses most impacted and needing the most help?
- What is the size of the business that needs help?
  - Structure incentives and programs based on number of employees, annual revenue, sales, etc.
- What are the needs of the “smallest of small” businesses?
- What are common services with which small businesses may need help?
- Procurement of goods and services, back-office functions like legal or accounting, technology platforms, and joint marketing? Add nonprofits to this mix.
- How are different types of business owners affected?
  - Unbanked or not banking with an SBA-approved institution
  - Located in low-income neighborhoods
  - Business owners who are people of color, disabled, and veterans affected
- How are specific types of workers doing and does this include gig workers?
Equitable Actions

Suffering Businesses
- Grants focused on people of color owned, younger owners
- Grants for displaced employees
- Ready for it: Target and recruit new businesses to fill spaces being vacated by closing businesses

Start-up Frenzy
- People of Color and Necessity
- Scale and assist necessity entrepreneurs vibrant
- Leverage SBA Community Navigator / Support similar technical assistance intermediaries to improve access to capital

Hanging In
- Scale up growth with procurement
- Investment in place through broadband
- Digital Technical Assistance...automation growing need, ecommerce and more advanced business service software that could assist “growing a business”

OK and Surviving
- Succession and transition planning to business owners who are retiring or closing
Proactive Procurement

Address Barriers

FREQUENCY OF BARRIERS IDENTIFIED BY M/WBES

- Networking Barriers: 86%
- Bonding Requirements: 83%
- Receiving Timely Payment: 78%
- Access to Capital: 77%
- Discriminatory Attitude: 66%
- Late Bid Notification: 64%
- Large Project Sizes: 60%
- Insurance Requirements: 56%
- Higher Standards: 49%
- Bid Shopping: 43%
- Capability Stereotypes: 42%
- Held Bid: 41%
- Double Standards: 34%
- DBE Stigma: 14%

n = 86
Proactive Procurement

Address capital barriers with 7-day window for payment for subcontractors.
- “Pay when paid”
- “Pay before paid” - subcontractors paid before well-capitalized primes, front the money to subcontractors
- Contracts awarded with 15- to 30-day payment advances to improve the working capital and cashflow.
- Examine personal net worth cap issues.

Other assistance:
- Streamline certification and compliance processes and portals.
- Unbundle projects and enable direct contracting to incentivize small and minority owned businesses to not stay small but to “get certified and grow.”

Procurement Examples
- West Palm Beach is considering an accelerator for MWBE with more aggressive goals.
- Lincoln, NE is developing technical assistance capacity to fill gaps of weak CDFI and SBDC.
- Syracuse, NY is beefing up MWBE program and goals to ready for a major I-81 infrastructure project.
Rethink Incentives and Assistance

Recovery and post-pandemic responses need to be different.
- Is the incentive program aligned with goals and efficient, with a positive fiscal ROI to city.

Good jobs growth tied into clusters and small business strategies.
- Focus on job retention through job credits to businesses that keep existing jobs and maintain payroll, up to a certain cap per position.
- Create quality jobs
  - Minimum wage for employees and for employees returning from incarceration, healthcare for all employees
- Use equitable tiering criteria
  - Place-based (underinvested neighborhoods, etc.), targeted industry growth, targeted hiring (people of color, local, shared ownership, on-the-job training)

Other Business Assistance
- Create small business regulatory and compliance conditions where new, young, people of color-, and women-owned businesses can easily learn or find technical assistance to allow them to spend more time on developing their business.
- Relax occupational licensing restrictions that limit job entry and job-to-job mobility.
- Improve transparency and accountability.
Equity Goals At Each Incentive Stage

Be clear and intentional on equity goals when implementing incentivized projects.

Examples:
- Recipient – RFQ
- Deal – Upfront project review (e.g. scorecards)
- Compliance – Performance agreement terms
- Effectiveness – Track and report on outcomes
Fresno DRIVE

**People and Place:** The Civic Infrastructure for Low Opportunity Neighborhoods investment plan establishes a formal support network of hubs for CBOs in six extreme-poverty neighborhoods.

**Business and Governance:** The Second Office Fresno investment plan develops an Economic Development Community Scorecard informed by community engagement and will create a new business attraction strategy that identifies specific industries, businesses, and job opportunities that align with community priorities.

**Business:** The Betting Big on Small Businesses Owned by Women and People of Color investment plan will improve the representation and success of small businesses owned by women and people of color.

**People:** The Wealth Creation in Communities of Color investment plan focuses on assessing resident needs and the existing “financial stability and wealth building” activities being undertaken by Fresno CBOs and employers.

**People:** The Upskilling investment plan forms a regional coordinating Career Network Hub that strategically aligns employers, workforce development systems, government, and community partners to deliver high-quality, paid work-based learning opportunities for Fresno workers and partners.
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- Creative Local Fiscal Responses to Move from Crisis to Recovery
- Guideposts to an equitable and resilient recovery