What is Economic Development?

“Economic development is a process by which a community *creates, retains and reinvests* wealth and *improves the quality of life.*”

- David Dodson, MDC Inc., Chapel Hill, NC
Economic development is found at the intersection of the public and private sectors.

- Involves government efforts to facilitate increased private sector growth and investment.

- Depends on effective government investment and decision-making (education, infrastructure, incentives, and agency support).
Why should we care about economic development?

- Higher levels of economic activity can lead to:
  - additional tax revenues
  - increased property values
  - greater retail sales
  - higher personal and household incomes
  - increased business profits
  - increased likelihood that young people can find good jobs locally and remain in the community
  - better schools, health care, amenities, etc.
“Some see private enterprise as a predatory target to be shot, others as a cow to be milked, but few are those who see it as a sturdy horse pulling the wagon.”
Business & Industry Recruitment
Everyone, especially elected officials, needs to have realistic expectations about economic development (and the economic developer), with a clear understanding of:

- **How the site selection (elimination) process works**
  - Role of Internet research in site selection.
  - Site visits now occur after 80% of the decision is already made, and communities never know if they are under consideration for a project.
  - The process is extremely competitive.

- **Having vision and strategies that are realistic**
  - All communities are not created equal.
  - Understand your strengths and limitations.
Business Site Selection
(Elimination)

- Clients/consultants seek to *eliminate* sites & buildings based on project requirements

- Ultimately, projects locate based upon an optimum, risk adverse, *business decision*!
The Site Selection Process

Candidate Locations

Define Search Region

Regional Screening based on Project Criteria

RFP & Proposal Screening

Site Visits / Comparative Assessment

Cost Modeling / Incentives

Risk Analysis

Source: McCallum Sweeney Consulting.
## Site Selection Factors

*Area Development Magazine (2014 Corporate Executive Survey)*

1. Highway Accessibility 98.6%
2. Availability of Skilled Labor 97.3
3. Labor Costs 97.3
4. Expedited or “Fast-Track” Permitting 97.2
5. Available Land 95.8
6. State and Local Incentives 95.8
7. Energy Availability and Costs 91.6
8. Proximity to Major Markets 91.5
9. Occupancy or Construction Costs 90.2
10. Tax Exemptions 90.2
11. Available Buildings 88.8
12. Corporate Tax Rate 86.1
13. Accessibility to Major Airport 86.1
14. Proximity to Suppliers 85.9
15. Training Programs 83.3
16. Low Union Profile 82.2
17. Environmental Regulations 78.9
18. Inbound/Outbound Shipping Costs 77.4
19. Right-to-Work State 74.0
20. Railroad Service 69.0
Site Selection Factors – Physical Infrastructure

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<table>
<thead>
<tr>
<th>Site Selection Factors – Human Infrastructure</th>
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<tbody>
<tr>
<td>1. Highway Accessibility</td>
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<td>20. Railroad Service</td>
</tr>
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</table>
Site Selection Factors – Incentives and Finance

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Quality of Life Factors
*Area Development Magazine (2014 Corporate Executive Survey)*

<table>
<thead>
<tr>
<th>Rank</th>
<th>Factor</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Low crime rate</td>
<td>84.4%</td>
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<tr>
<td>2</td>
<td>Ratings of public schools</td>
<td>75.3</td>
</tr>
<tr>
<td>3</td>
<td>Healthcare facilities</td>
<td>74.2</td>
</tr>
<tr>
<td>4</td>
<td>Housing availability</td>
<td>69.7</td>
</tr>
<tr>
<td>5</td>
<td>Housing costs</td>
<td>69.7</td>
</tr>
<tr>
<td>6</td>
<td>Colleges and universities in area</td>
<td>68.3</td>
</tr>
<tr>
<td>7</td>
<td>Recreational opportunities</td>
<td>65.9</td>
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<tr>
<td>8</td>
<td>Cultural opportunities</td>
<td>60.8</td>
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<tr>
<td>9</td>
<td>Climate</td>
<td>60.5</td>
</tr>
</tbody>
</table>
Core Economic Development Activities

- Business recruitment and attraction
- Business retention & expansion
- Entrepreneurship & small business development
- Commercial & retail development
- Tourism & retiree attraction
- Community development
Building a strong community infrastructure
Alabama Rural Roundtable

June 16, 2006, Auburn University

“Priorities for Strengthening the Future of Rural Alabama”

1. Leadership & Citizen Participation (civic infrastructure)
2. Workforce Development & Education (human infrastructure)
3. Infrastructure & Communications Technology (physical infrastructure)
Physical Infrastructure
physical infrastructure

- “Product” – developed (or developable) buildings and sites.
- Roads, water, gas, electricity, sewers, and telecommunications are necessary for economic growth.
- Broadband – has become a core infrastructure for the New Economy.
Telecommunications Infrastructure

“... broadband has become as essential to individual and community economic prosperity as electricity and roads.”

– speedmatters.org
human
Infrastructure
Workforce Development

- The number one issue in economic development today is the quality of a community’s workforce.
- Companies will choose not to expand or locate in a community if they do not feel they can find the workers they need.
- Strengthening the workforce development system through the business community, public school systems, and community colleges must be a top priority for local economic development.
Civic Infrastructure

Citizen Engagement
Collaborative Leadership
“Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has.”

- Margaret Mead
Communities need an active civic life with public space for citizen engagement and multiple opportunities for citizen involvement:

- Town meetings
- Deliberative forums
- Roundtable discussions
- Concerts and festivals
- Community improvement projects
Each community has a unique combination of assets -- individuals, citizen associations, and institutions.

- The key to community development is to locate all available local assets and to begin connecting them in ways that multiply their power and effectiveness.
“What stands out in the high-achieving community is not so much the characteristics of the leaders as their number . . . The high-achieving community had ten times more people providing leadership than communities of comparable size. . . And its leaders function, not as gatekeepers, but as door-openers, bent on widening participation.”

- Dr. David Mathews, president of the Kettering Foundation
Connecting Stakeholders

- Prosperous communities recognize the value of local and regional cooperation and collaboration.

- County and city governments, chambers of commerce, schools, civic organizations, and private sector groups WORK TOGETHER!

- Public-private partnerships and collaborations, communication, cooperation, and planning are essential.
It is of critical importance to take care of, and involve, local business leaders.

- Importance of BRE (where the jobs are)
  - Understand and address the needs of business
- Local business can be your best recruiters (or worst)
Economic Development Leadership, structure, and planning
structured and professional economic development program ensures that:

- Decisions are based on current, relevant information
- Action plans are developed and implemented
- Information is shared with external and local audiences
- Local sites are marketed and sold
- Actors in the local economic development system are working together
Diverse Strategies

- There is no “one size fits all” approach to economic development.
- The key is to match particular strategies with the assets of the community.
- The economic development plan should address a wide variety of strategies, such as business retention and expansion, tourism, commercial and retail development, technology parks, agribusiness, retiree attraction, and entrepreneurial support.
1. Where are we now?
   - Realistic appraisal of available resources, constraints, and opportunities

2. Where do we want to be?
   - Vision, strategic issues, goals, objectives

3. How do we get there?
   - Implementation action plan

4. How do we measure our progress?
   - Indicators/metrics for success
Strategic Planning: Benefits

1. **The Product**
   - A plan for the community’s economic future (identify priorities and targets).
   - Basis for strategic management.

2. **The Process.**
   - Provides wealth of knowledge, expertise, and perspective.
   - More united and cohesive community (commitment to common vision of the future).
Economic Development: Essentials

Know:
1. Why economic development matters
2. What economic development can and cannot do
3. ED is more than industrial recruitment

Develop:
1. A strong community infrastructure
   ✓ Physical
   ✓ Human
   ✓ Civic
2. Professional leadership, structure, and planning
Mega Trends that Impact our Economy and Workforce
Mega Trends that Impact our Economy & Workforce

1. The Knowledge Economy
2. Globalization
3. Technology
4. Demographic Change
5. Urbanization
Knowledge Economy
## Evolution of Economy

<table>
<thead>
<tr>
<th>Wave</th>
<th>Economy</th>
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<tbody>
<tr>
<td>1st</td>
<td>Agriculture Economy</td>
</tr>
<tr>
<td>2nd</td>
<td>Manufacturing Economy</td>
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<tr>
<td>3rd</td>
<td>Information-based Economy</td>
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</tbody>
</table>

1980
“It is not the duty, nor is it to the interest of the State, to educate its entire population beyond the primaries. Universal experience teaches that if a boy, without regard to his color, be educated beyond this point, he declines ever to work another day in the sun.”
Alabama per pupil expenditures on education as a percentage of the national average:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>1890</td>
<td>28%</td>
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<tr>
<td>1900</td>
<td>17%</td>
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<tr>
<td>1910</td>
<td>33%</td>
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<tr>
<td>1920</td>
<td>39%</td>
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<tr>
<td>1930</td>
<td>43%</td>
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<tr>
<td>1940</td>
<td>37%</td>
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<td>2009</td>
<td>91%</td>
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<td>2013</td>
<td>82%</td>
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</table>
THIRD WAVE: THE “NEW” ECONOMY

- Throughout the 20th Century, Alabama’s economic development strategy was built on low taxes and unskilled, low-cost labor.

- But by the late 20th Century, the U.S. began to export low wage, polluting industries; there was a new focus on advanced technology.

- Companies looking for unorganized labor, low taxes, and a favorable business climate discovered the Dominican Republic, Mexico, Korea, the Philippines, China, and India.

- Alabama was poorly positioned to compete when the question became not “what does labor cost,” but “what does labor know.”
Goodbye Old Economy Jobs

Projected fastest declining occupations by 2018:
(Alabama Department of Industrial Relations)

- Sewing machine operators
- Textile machine setters, operators & tenders
- File clerks
- Order clerks
- Computer operators
- Mail clerks & mail machine operators
Alabama’s New Economy

Projected fast-growing occupations by 2018:
(Alabama Department of Industrial Relations)

- Pharmacists
- Physical Therapists
- Registered Nurses
- Computer software engineers
- Network systems and data communications analysts
- Physician assistants
- Home health aides
- Aircraft assemblers, mechanics and service technicians
- Welders
## Growing Need for a Skilled Workforce

<table>
<thead>
<tr>
<th>Year</th>
<th>Professional</th>
<th>Skilled</th>
<th>Unskilled</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>20%</td>
<td>20%</td>
<td>60%</td>
</tr>
<tr>
<td>1990</td>
<td>20%</td>
<td>45%</td>
<td>35%</td>
</tr>
<tr>
<td>2000</td>
<td>20%</td>
<td>65%</td>
<td>15%</td>
</tr>
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</table>

Source: U.S Bureau of Labor Statistics
Globalization
Globalization is the “integration of markets, nation-states and technologies to a degree never witnessed before—in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper, and cheaper than ever before.”
Globalization

Foxconn (the Chinese factory where most iPhones are made):

- Employs 230,000 workers
- Average wage for production workers is $17 per day
- Employees work 6 days a week and 12 hours a day
Technology
“National recovery won’t bring jobs back to the rural South. Production has moved to other countries with lower wages, or plants have substituted technologically advanced machines for people. Tens of thousands of jobs are not coming back.”

“The State of the South 2002: Shadows in the Sunbelt Revisited” (MDC, Inc.)
US Employment Change

1950s: 24%
1960s: 31%
1970s: 27%
1980s: 20%
1990s: 20%
2000s: 0.8%

Source: US Commerce Department, Labor Department
“Our economy is bigger than it was before the start of the Great Recession. Corporate profits are back. Business investment in hardware and software is back -- higher than it's ever been. What's not back is the jobs.”

- Andrew McAfee, MIT

Source: CBS 60 Minutes Interview 1-13-13
Technology

The percentage of Americans with jobs is at a 20-year low. Just a few years ago if you traveled by air you would have interacted with a human ticket agent. Today, those jobs are being replaced by robotic kiosks. Bank tellers have given way to ATMs, sales clerks are surrendering to e-commerce and switchboard operators and secretaries to voice recognition technology.

Source: CBS 60 Minutes 1-13-13
Technology

- The U.S. has led the world in its ability to apply new methods and techniques to solve fundamental problems.
- With a population of 300 million, the U.S. has cleaner air and water now than 40 years ago (when the population was 200 million).
- Between 1960 and 1999, manufacturing's share of American total employment roughly halved (to about 15%). Yet in those same 40 years manufacturing’s physical output nearly tripled.
- Today manufacturing accounts for less than 9% of total U.S. employment.
Demographic Change
The U.S. Population is Getting OLDER

- The proportion of the population that is currently over 65 years old (13%) is expected to reach 20% by 2050.

- As Baby Boomers move into retirement, the workforce faces huge losses, both in terms of numbers and talent.

- Dependency ratio issue: dependents ______ workers
“The problem – actually there are four of them – is simple. We Baby Boomers didn’t have enough kids, our birth rate isn’t high enough, we’re living longer, and our educational system is dropping half our kids in the academic dirt. As 78 million of us retire, there won’t be enough qualified workers behind us to fill the jobs and grow the economy that’s necessary to support all of us new dependents.”
Annual Rates of Labor Force Growth: 1950-2025

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<tr>
<td></td>
<td>1.1%</td>
<td>1.7%</td>
<td>2.6%</td>
<td>1.6%</td>
<td>1.2%</td>
<td>1.0%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

1970-80
- Baby boomers reach working age
- More women and minorities join the workforce

2015-25
- Baby boomers retire
- They are replaced by a much smaller generation
- Critical labor shortages

Source: U.S. Bureau of Labor Statistics
The World’s Population is getting older

- Over the next 40 years, the rest of the developed world will get really old.
  - A third or more of their populations will be over 65.

- By 2050, 31% of China’s population will be older than 60; more than 41% of Japanese will be that old.

- The US fertility rate is 50% higher than that of Russia, Germany and Japan and well above all of Europe, China, Singapore, and South Korea.
U.S. Workers versus the World

- Between 2000 and 2050, the U.S. 15-64 age group is expected to grow **42%**.

- The number of young and working age people is expected to decline in other developed nations.
  - **China** - 10% decline
  - **Europe** - 25% decline
  - **South Korea** - 30% decline
  - **Japan** - 40% decline
The U.S. population is becoming more diverse

- Over 1 million legal immigrants enter the U.S. each year.
- In 2000, the U.S. was home to 12.5 million skilled immigrants – equal to the combined total for Germany, France, the United Kingdom, Australia, Canada, and Japan.
- Between 1990 and 2005, immigrants started one out of four venture-backed public companies.
- In 2007, 15 of the Fortune 100 CEOs had roots in foreign countries.
- “In 2010, foreign students received more than 50% of all Ph.D.’s awarded in every subject in the U.S. In the sciences, that figure is closer to 75%.” (Fareed Zakaria, *The Post-American World, Release 2.0*, Norton, 2011).
“America’s experience of immigration should give it a lead on the developed world for several decades to come. . . . But it is not the numbers alone that will give America an advantage. Even more important, the country is culturally attuned to immigration, and long ago learned to integrate immigrants into its society and economy.”
111. Minorities are driving growth, replenishing America’s youth

Non-whites accounted for the overwhelming majority (92 percent) of U.S. population growth in the 2000s.

Minority share (%) of U.S. population growth, by decade, 1950s – 2000s

Source: US Decennial Censuses and IPUMS, University of Minnesota

BROOKINGS
The Changing Face of America - 1960-2060

(Source: *The Next America*, Paul Taylor)
Urbanization
Half of the US Population Lives in these 146 counties

SOURCE: BUSINESS INSIDER 2013 WALTER HICKY AND JOE WEISENTHAL
**Economic Vitality Index (2016)**

**Ranking Alabama Counties**
(population change, educational attainment, income, and employment)

<table>
<thead>
<tr>
<th>Rank</th>
<th>County</th>
<th>Type</th>
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<tbody>
<tr>
<td>1.</td>
<td>Shelby (metro)</td>
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<td>2.</td>
<td>Baldwin (metro)</td>
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<td>3.</td>
<td>Madison (metro)</td>
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<td>4.</td>
<td>Elmore (large)</td>
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<td>5.</td>
<td>Tuscaloosa (metro)</td>
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<td>6.</td>
<td>Limestone (large)</td>
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<td>7.</td>
<td>St. Clair (large)</td>
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<td>8.</td>
<td>Lee (metro)</td>
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<td>9.</td>
<td>Autauga (large)</td>
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<td>10.</td>
<td>Coffee (large)</td>
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<td>11.</td>
<td>Jefferson (metro)</td>
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<td>12.</td>
<td>Morgan (metro)</td>
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<td>13.</td>
<td>Houston (metro)</td>
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<td>14.</td>
<td>Cullman (large)</td>
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<td>15.</td>
<td>Lauderdale (large)</td>
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<tr>
<td>16.</td>
<td>Russell (large)</td>
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<tr>
<td>17.</td>
<td>Chilton (medium)</td>
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<td>18.</td>
<td>Marshall (large)</td>
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<td>19.</td>
<td>Montgomery (metro)</td>
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<td>20.</td>
<td>Mobile (metro)</td>
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<td>21.</td>
<td>Blount (large)</td>
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<td>22.</td>
<td>Colbert (large)</td>
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<td>23.</td>
<td>Henry (small)</td>
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<td>24.</td>
<td>Cherokee (medium)</td>
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<td>25.</td>
<td>Bibb (small)</td>
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<td>26.</td>
<td>Dale (medium)</td>
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<td>27.</td>
<td>Pike (medium)</td>
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<td>28.</td>
<td>Crenshaw (small)</td>
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<td>29.</td>
<td>Etowah (metro)</td>
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<td>30.</td>
<td>Jackson (large)</td>
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<td>31.</td>
<td>Covington (medium)</td>
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<td>32.</td>
<td>Tallapoosa (medium)</td>
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<td>33.</td>
<td>Washington (small)</td>
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<td>34.</td>
<td>Talladega (large)</td>
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<td>35.</td>
<td>Calhoun (metro)</td>
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<td>36.</td>
<td>DeKalb (large)</td>
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<td>37.</td>
<td>Cleburne (small)</td>
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<td>38.</td>
<td>Geneva (medium)</td>
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<td>39.</td>
<td>Franklin (medium)</td>
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<td>40.</td>
<td>Randolph (small)</td>
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<td>41.</td>
<td>Marengo (small)</td>
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<td>42.</td>
<td>Chambers (medium)</td>
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<td>43.</td>
<td>Escambia (medium)</td>
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<tr>
<td>44.</td>
<td>Lawrence (medium)</td>
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<tr>
<td>45.</td>
<td>Pickens (small)</td>
<td></td>
</tr>
</tbody>
</table>
Alabama County Economic Vitality Index 2016
(population change, educational attainment, income, and employment)

46. Butler (small)
47. Marion (medium)
48. Clay (small)
49. Lamar (small)
50. Coosa (small)
51. Winston (small)
52. Bullock (small)
53. Walker (large)
54. Fayette (small)
55. Clarke (small)
56. Sumter (small)
57. Macon (small)
58. Barbour (medium)
59. Choctaw (small)
60. Hale (small)
61. Monroe (small)
62. Dallas (medium)
63. Greene (small)
64. Perry (small)
65. Wilcox (small)
66. Conecuh (small)
67. Lowndes (small)
# County Economic Vitality: Population Change (median)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Alabama (avg)</strong></td>
<td>9.1%</td>
<td>1.5%</td>
</tr>
<tr>
<td><strong>Metro</strong></td>
<td>26.4%</td>
<td>4.3%</td>
</tr>
<tr>
<td><strong>Large</strong></td>
<td>7.7%</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>Medium</strong></td>
<td>1.1%</td>
<td>-1.1%</td>
</tr>
<tr>
<td><strong>Small</strong></td>
<td>-9.6%</td>
<td>-4.1%</td>
</tr>
</tbody>
</table>
Population Change

Between 2000 and 2015,

- 18 counties had greater growth than state average (9.1%)
  - Shelby – 44.3%
  - Baldwin – 44.1%
  - Limestone – 39.0%
  - Lee – 36.0%
  - St. Clair - 33.8%

- 1 (of 12) metro county lost population:
  - Jefferson (-0.3)

- 21 (of 26) small counties lost population
  - Lowndes (-22.4%)
  - Macon (-20.6%)
  - Perry (-18.3%)
  - Hale (-17.2%)

- Between 2010 and 2015, 41 counties lost population
  - (23 of 26 small counties)
Population Projections, 2015-2020 (EMSI)

<table>
<thead>
<tr>
<th></th>
<th>Under 25K</th>
<th>25-100K</th>
<th>Over 100K</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>-1.7%</td>
<td>1.5%</td>
<td>2.3%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Under age 20</td>
<td>-2.8%</td>
<td>2.4%</td>
<td>3.4%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Age 20-64</td>
<td>-5.4%</td>
<td>-1.8%</td>
<td>-1.2%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Age 65 and over</td>
<td>11.0%</td>
<td>11.5%</td>
<td>15.2%</td>
<td>13.5%</td>
</tr>
</tbody>
</table>

U.S 2.5% growth
Mega Trends (Knowledge economy, Globalization, Technology, Demographic Change, Urbanization): Implications

1. Need fewer people to be productive (more capital-intensive, less labor-intensive)

2. Fewer low-skilled jobs (outsourced)

3. Talent bar is much higher
   - Need for higher skilled, educated workers
   - Critical need for improved K-12 education and workforce training system

4. Intense competition for talent (local, state, global)

5. Huge challenge for rural communities
Implications for communities

Information, ideas, and technology are the driving forces in today’s economy.

Strategies:
- Leadership
- Strategic planning
- Effective government policy & management (investments)
- Excellent K-12 schools
- Access to community college and workforce training
- Modern technology and telecommunications infrastructure
- Superior quality of life; amenities
Elected Officials and Government Managers have Critical roles in economic development (broadly defined)

- Successful economic development depends upon strong public sector decision-making, engagement, investment, and management.

- “Product development” is much more important for economic development than “marketing and sales” (industrial recruitment).

- Investments in physical and human infrastructure contribute to quality of place; helps produce a good “product” to sell.
“Every morning in Africa, a gazelle wakes up. It knows it must run faster than the fastest lion or it will be killed. Every morning a lion wakes up. It knows it must outrun the slowest gazelle or it will starve to death. It doesn’t matter whether you are a lion or a gazelle. When the sun comes up, you better start running.”

- African proverb
(Friedman, The World is Flat, 2005)
“Do what you can, with what you have, where you are.”

Theodore Roosevelt