BIRMINGHAM'S TIPPING POINT:

Achieving inclusive prosperity in the post-pandemic economy

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June 2021

Metropolitan Policy Program
at BROOKINGS

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SUMMARY

What could the future of Birmingham, Ala. look like? Picture this:

In 2034, today's kindergarteners will be graduating from high schools across Greater Birmingham. Some of these young adults will choose to pursue well-paid apprenticeships with a growing number of highly productive, midsized manufacturers that are using advanced technologies to create cutting-edge products. Others will attend universities on Birmingham Promise scholarships, following in the footsteps of thousands of former Promise recipients who are now working in leading businesses and are eager to mentor the next generation. Many will be drawn to degree programs that lead to jobs in startups in the burgeoning health technology cluster. Young professionals in this field will not only spend their days developing solutions to health disparities in Birmingham and nationwide; they'll earn enough to rent an apartment downtown and take the new bus rapid transit line to work in the bustling Switch district.

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Also by 2034, Jefferson County will have crossed an important demographic threshold. For the first time, more than 50% of its population will be people of color. The economy will increasingly reflect this reality. Black residents will be just as likely to work in good jobs as their white peers with the same education. The tech sector will be every bit as diverse as the rest of the economy, which will make those companies more competitive and make the region a magnet for diverse talent. Vibrant retail districts in neighborhoods such as Ensley, Woodlawn, and Titusville will be anchored by Black-owned businesses. New Black-owned businesses will have surpassed $20 million in revenue—not only a sign of their potential, but also the value of the highly collaborative local ecosystem that provided venture funding, access to expertise and mentorship, and opportunities for partnerships with local corporations. All this civic optimism and entrepreneurial energy will attract additional businesses, workers, and investors who want to be part of the action.

This is an idealized vision of what the next decade holds for Birmingham. Peer cities such as Indianapolis and Cleveland have made significant steps toward such inclusive prosperity in recent years through sustained, multisector regional partnerships. The same can be done in Birmingham—but only if the city addresses its current challenges.

In 2020, Birmingham confronted an economic collapse of unprecedented scale, brought on by the COVID-19 pandemic. In a matter of months, a decade's worth of hard-fought job gains was erased. The operations of thousands of local businesses were disrupted, and many may not reopen. Given the enormous disruption to the economy and individual lives and livelihoods, the urge to get back to normal is understandably strong.

Yet, for Birmingham, the "normal" that preceded the pandemic wasn't cutting it. COVID-19 laid bare long-standing economic and social challenges that have prevented the region's economy from reaching its potential. Among the 53 U.S. metro areas with populations over 1 million, Birmingham had the second-lowest rate of job growth between 2008 and 2018, the second-highest increase in relative income poverty over the same period, and, as of 2018, the worst racial disparities in business ownership rates.

Fortunately, the pandemic has also strengthened the community's resolve to mitigate the worst of the crisis, address these inequities head-on, and lay the foundation for the Birmingham economy's renewal.

Over the past two years, the Brookings Metropolitan Policy Program has spoken with dozens of business, civic, government, and community leaders, analyzed Birmingham's position on hundreds of economic indicators, and observed how it has responded to COVID-19.

The conclusion from that work is that Birmingham—its economy, its institutions, and its position nationally and globally—is at a tipping point. The region is poised to tip toward greater growth and opportunity, buoyed by important ongoing efforts such as the Switch innovation district, a coordinated push on education and talent development, and new investments in neighborhood businesses and residents. The conditions that enabled this progress (innovative public leadership, committed private and philanthropic partners, and a generous and engaged community) also facilitated the emergency response to the COVID-19 crisis. Now, that same coalition can push for sustained, coordinated actions over the next several years to leverage this progress, spur recovery, and tip Birmingham toward longer-term economic transformation.

But should Birmingham lapse into business-as-usual, that tipping point will not occur. Well-intentioned efforts would be scattered and not sustained, resulting in a weak recovery and continued structural decline that cause workers and businesses to leave for greater opportunity elsewhere.

How can leaders in the Birmingham community help the region achieve better outcomes and a more equitable future?

Multisector regional partnerships can plot a path forward. One such effort, Prosper, is led by a group of civic, business, government, and community leaders, and aims to move the region toward economic transformation and inclusive prosperity. It is not a program to replace work already underway, nor is it a large operating organization. Rather, Prosper is a new funding model and collaborative effort to align existing initiatives, launch new catalytic efforts, and achieve large-scale civic change.

But Birmingham cannot achieve this vision through a single effort. The entire community must understand the urgency to act more boldly and collaboratively in order to change the region's course for the better. What follows is the case for transformation, and what can make it happen. In sum:

1. Before COVID-19, Birmingham's economy was improving, but lack of business growth and persistent racial inequality put the region at a structural disadvantage in a modern economy that prizes talent and innovation. The pandemic layered onto existing inequality and ushered in a period of historic economic insecurity that can set the region further back. Section 1 provides this context.

2. In response, Prosper aims to move the region from crisis to recovery to transformation. To do so, the effort is taking three actions to unite the community around a common approach:

    - **Assembling diverse leadership to elevate a shared vision for inclusive prosperity.** Prosper is creating a table around which a group of civic leaders and funders—reflective of the community—can set a vision for inclusive growth, mobilize action, and track progress across three critical inputs to inclusive growth: job creation, job preparation, and job access.

    - **Focusing action with eight regional priorities and four initial investments.** Prosper has agreed on a set of regional priorities and an initial portfolio of catalytic initiatives that, if executed over a significant time period, can make the tipping point a reality. Prosper will initially focus on four initiatives:

        - **Birmingham Promise initiative:** Invest in youth college and career pathways through the Birmingham Promise scholarship and apprenticeship initiative.

- **Business advisory service initiative:** An intensive, customized business advisory service that enhances technology adoption, productivity, innovation, and job creation in "missing middle" small businesses.
- **HealthTech initiative:** A new initiative to make Birmingham a center of health technology solutions through investments in entrepreneurship, talent, and community engagement.
- **Black-owned business acceleration initiative:** Build and grow more businesses in the Black community by connecting Black entrepreneurs with the coaching, capital, and resources they need to thrive.

• **Aligning and scaling investment to achieve measurable impact.** Prosper will deploy a financing plan for private, public, and philanthropic leaders to fuel the change and hold itself and its partners to account.

Prosper priorities and initiatives

Pillars	Priorities
Job creation	Create and grow more startups
	Help 'missing middle' small businesses innovate and grow
	Accelerate growth in HealthTech cluster
Job preparation	Invest in college and career pathways for Birmingham's youth
	Help displaced workers get back on their feet through in-demand training
Job access	Connect people without cars to jobs
	Build and grow more businesses in the Black community
	Bridge the digital divide

Prosper initiatives:

1. Business Advisory Services	**2.** Health Tech Initiative	**3.** Black-owned Business Acceleration	**4.** Birmingham Promise

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1. CONTEXT: BIRMINGHAM AT A TIPPING POINT

Birmingham has the potential to compete and thrive globally. But it will only reach that potential if the community can align and invest around a set of shared priorities. To make that point, we review how two structural forces influence communities like Birmingham: 1) How technology has created economic divergence between different parts of the country; and 2) how racial and economic inequality has undercut economic growth in an era of demographic change.

Economic divergence refers to how "winner-take-most" dynamics have concentrated innovation and prosperity in relatively few cities. Since the Great Recession, 60% of the nation's job growth occurred in only 25 cities, undercutting growth in midsized communities like Birmingham.[1] The economy's most valuable innovation sector jobs—in fields such as information technology and biotechnology—are concentrating even more inequitably. Just five metro areas (Boston, San Francisco, San Jose, Calif., Seattle, and San Diego) accounted for more than 90% of the nation's innovation sector growth from 2005 to 2017.[2]

In an era of economic divergence, older industrial regions like Birmingham must work doubly hard to establish a foothold in the advanced industries that spur innovation and prosperity. The good news is that there are already successful efforts underway in Birmingham to grow its future economy. The Innovation Depot, the third-largest startup incubator in the country, anchors the recently announced Switch innovation district. In 2019, Techstars, a worldwide network to support entrepreneurs, announced the Alabama EnergyTech Accelerator. Bronze Valley is another tech accelerator focused on supporting diverse founders. A few blocks away from the Switch, the University of Alabama at Birmingham (UAB) and Southern Research have positioned themselves as national leaders in scientific discovery, generating over $600 million in research funding per year. New startups such as Shipt, Therapy Brands, and Pack Health have together created over 1,500 jobs in the center of Birmingham, and those entrepreneurs are passing along their insights to the next generation of startups.

Rising economic inequality has exacerbated the challenges that structural racism has long posed for communities of color, particularly Black Alabamians. The racial disparities in the Birmingham region's labor market are clear. Among residents without a four-year college degree, the share of people with a good job is 56% for white men, 36% for Black men, 28% for white women, and 20% for Black women.[3] White men *without* a four-year degree are nearly as likely to hold a good job as Black women *with* a four-year degree. Regions with Black-majority cities like Birmingham at their core must ensure that all the region's talent—regardless of race, gender, or ZIP code—has access to economic opportunity and can fully contribute.

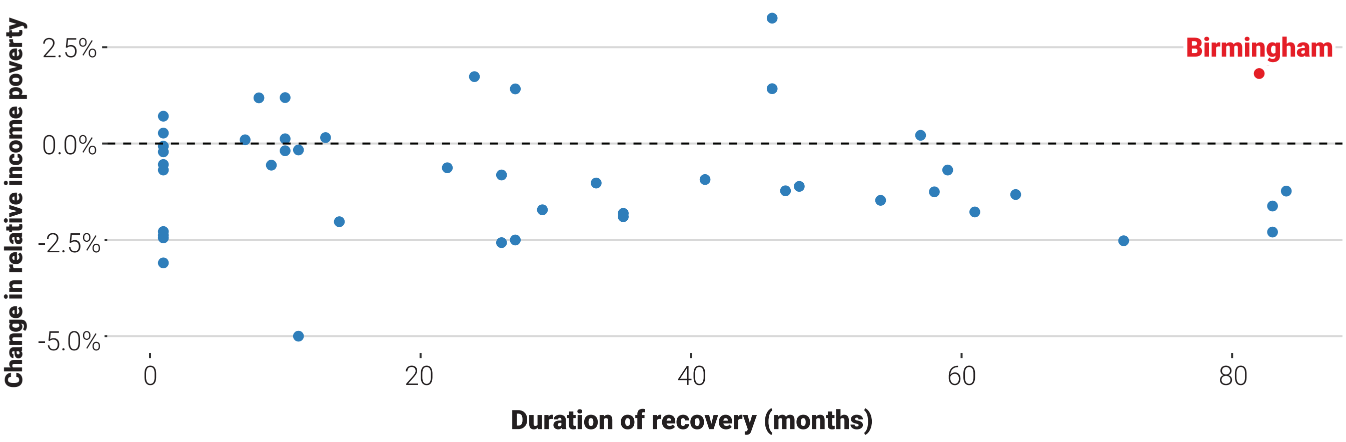
There are more locally led programs and initiatives to advance racial and economic justice than space to name them. Birmingham is making a historic push on talent development, including the Ed Farm to train teachers and students in Swift coding; Innovate Birmingham to train opportunity youth for high-tech, high-wage jobs; and the Building (it) Together partnership to align education and training with employer demand.

Given the overwhelming power of these structural forces and the limited resources to confront them, should Birmingham tackle its growth challenge first, or racial and economic inequality? We conclude that it **must do both**. To place Birmingham on a durable path to sustained prosperity, its recovery strategy should leverage the force of public opinion and resources from government, corporations, and philanthropies to **create a faster-growing *and* more racially inclusive region**. The dual objectives of growth and inclusion are reinforcing. To grow, Birmingham must be inclusive, drawing out the best of its entire base of workers and entrepreneurs. To be inclusive, Birmingham must grow, ensuring that businesses are generating good jobs at a large enough scale to bring more people into the middle class.

Birmingham's experience in the wake of the Great Recession illustrates how growth and inclusion naturally reinforce one another. Across large metro areas, the longer it took a regional economy to recover jobs lost during the Great Recession, the less poverty declined. Among the 53 metro areas with over 1 million people, only one had more sluggish job growth than Birmingham between 2008 and 2018, and only one had a larger increase in relative income poverty than Birmingham those years (Chart 1).

Chart 1. The Birmingham region was an outlier among large metro areas in terms of its recovery from the Great Recession

Change in relative poverty and duration of recovery from the Great Recession



Source: Brookings analysis of Bureau of Labor Statistics and American Community Survey data

Taken together, these statistics show that Birmingham had a uniquely painful decade post-Great Recession, that the poorest residents suffered the most pain, and that more must be done to ensure that this does not happen again in the wake of the COVID-19 recession.

What factors would enable such a recovery, and what would a successfully transformed Birmingham economy look like? The remainder of this section seeks to explain *why* Birmingham had such a tough road after the Great Recession by focusing on three success factors that will help the region avoid another slow and uneven post-crisis recovery:

1. **Job creation**: Helping build businesses and industries that create good jobs[4]

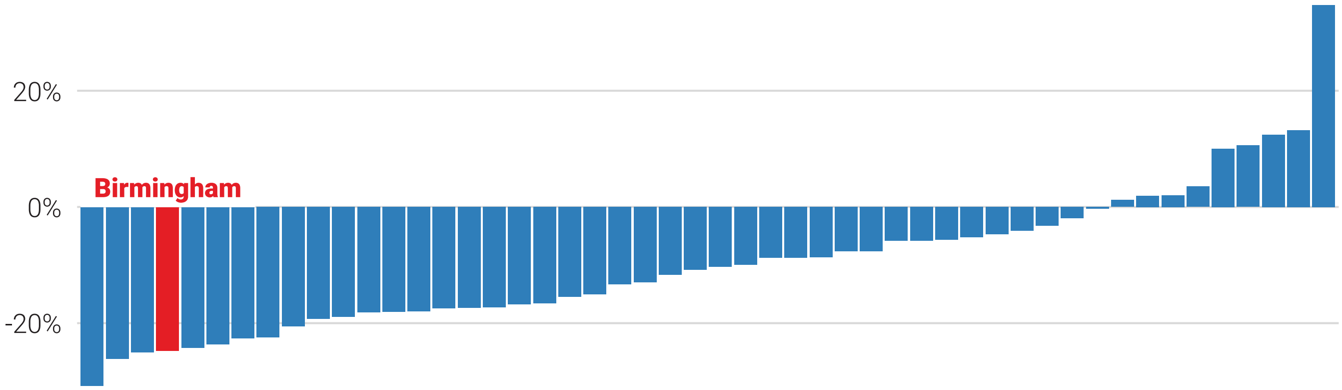
2. **Job preparation**: Preparing diverse talent with the skills and networks to thrive in those jobs[5]

3. **Job access**: Ensuring that all residents, regardless of race or ZIP code, have equal access to jobs, entrepreneurship, and technologies[6]

Job creation: Within Birmingham, growth in new, dynamic industries was lacking in the wake of the Great Recession. As financial services and manufacturing declined over the past decades, the region's job growth occurred in locally serving, less productive industries.[7] Notwithstanding nationally notable tech exits, a budding entrepreneurship scene, and globally competitive corporations in finance, advanced manufacturing, and construction, new industry growth has not been able to replace the industries that initially put Birmingham on the map, and as a result, the region has stagnated.

Among metro areas with more than 1 million people, Birmingham ranked in the bottom five for job growth in young businesses in the decade following the Great Recession—a clear sign of lagging dynamism (Chart 2). Despite the region's strong academic base of research, fewer firms and jobs were being created than in peer cities. If Jefferson County had grown at national rates, it would have 31% more young businesses in tradable industries[8] and 19,000 more quality jobs[9] that those businesses disproportionately create. The regional economy was already lagging prior to COVID-19, which has cut regional employment by another 15,000 jobs.[10]

Chart 2. Among large metro areas, Birmingham ranked in the bottom five for job growth in young businesses
Percent change in employment at firms 0–5 years old, 2008 – 2018



Source: Metro Monitor 2020, Brookings Institution

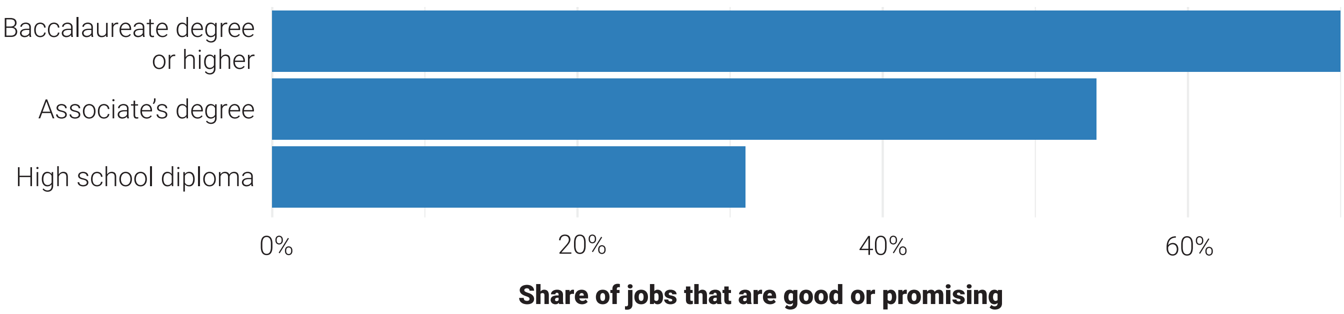
The takeaway: After the Great Recession, the Birmingham region didn't generate enough new business growth to create good jobs.

Job preparation: This lack of quality job growth hurt Birmingham's households, 39% of whom struggled to make ends meet pre-pandemic. Education is the critical determinant of whether Birmingham residents can attain economic self-sufficiency: A Birmingham worker with a high school diploma has a 30% chance of holding a quality job; that chance increases to 54% for those with an associate degree, and 70% for those with at least a bachelor's degree (Chart 3).

The good news is that Birmingham has never been more educated. Nearly 40% of Jefferson County adults have a postsecondary degree (the highest share on record), and Black higher education attainment has increased from 14% to 19%. Yet, about 20% of struggling residents have a postsecondary degree or credential, and another 20% started but did not finish postsecondary education. Moreover, inequities in the labor market mean that a given level of education does not translate into the same economic outcomes for Black people and women as it does for white people and men. As we cited earlier, among residents without a four-year degree, the share of people with a good job is 56% for white men, 36% for Black men, 28% for white women, and 20% for Black women (Chart 4). White men without a four-year degree are nearly as likely to hold a good job as Black women with a four-year degree.

Chart 3. Educational attainment matters greatly in obtaining a quality job

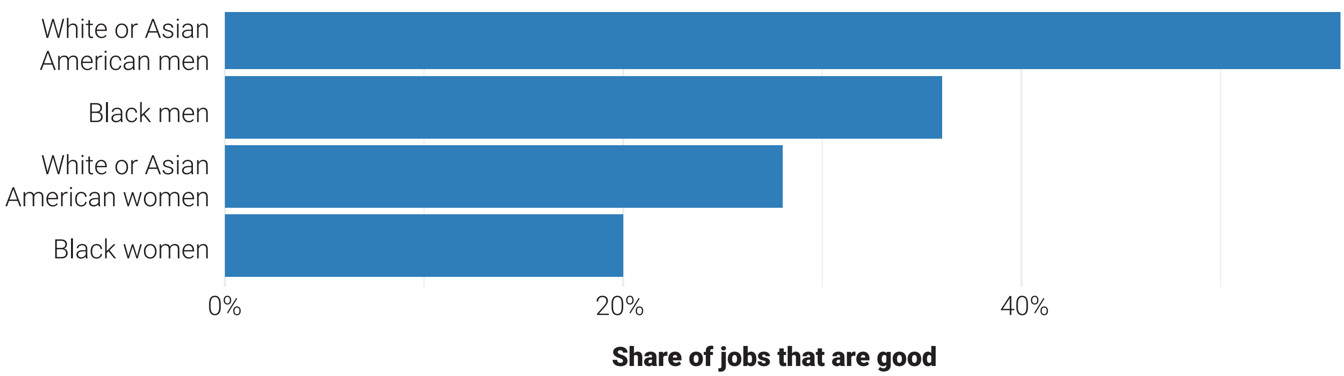
Chance of holding a quality job in Birmingham–Hoover, AL



Source: Opportunity Industries, Brookings Institution

Chart 4. Even controlling for education, women and Black workers are less likely to hold quality jobs

Chance of holding a good job in Birmingham–Hoover, AL, workers without a 4–year college degree



Source: Opportunity Industries, Brookings Institution

The takeaway: Birmingham is becoming more educated, but there is still unequal access to quality postsecondary education and training. Inequities in the labor market mean that a given level of education does not translate into the same economic outcomes for Black people and women as it does for white people and men.

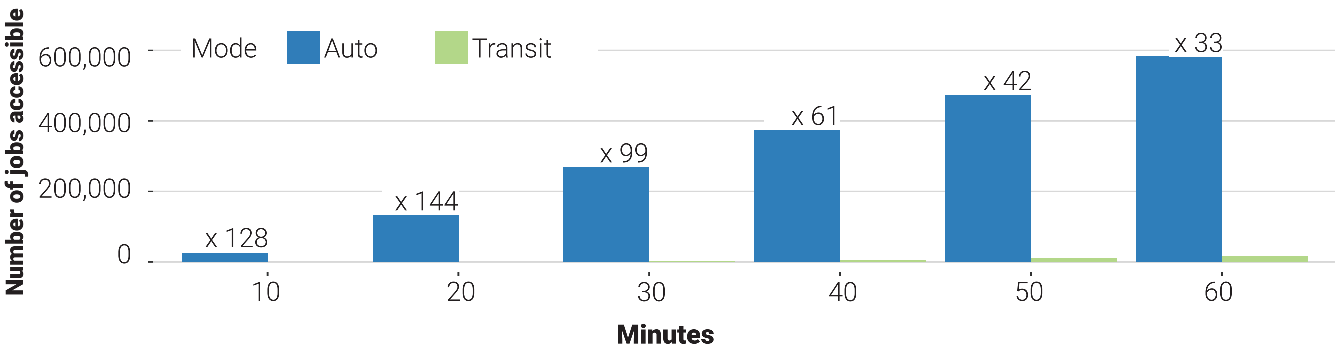
Job access: In Birmingham, the neighborhood where one grows up has tremendous influence on their access to opportunity. Neighborhood concentrations of poverty undermine the economy's core asset—talent—and limit Birmingham's entire economic potential.

The outward sprawl of jobs in recent decades is one concrete way in which access to opportunity has declined for Birmingham residents. For the average Birmingham job seeker in a high-poverty community, the number of jobs reachable within a reasonable commute declined by 36% during the 2000s.[11] Birmingham workers commuting by car can access 100 times as many jobs as those commuting by transit (Chart 5).[12]

During the pandemic, work, school, and social interactions have increasingly moved online. But the Birmingham region has the nation's third-highest share of neighborhoods experiencing digital poverty among the 53 metro areas with populations over 1 million, meaning that at least half the neighborhood's households do not have a wireline subscription and at least half do not have a wireless subscription (Chart 6).[13] This digital inequity creates barriers to working, learning, socializing, and accessing health and other services.

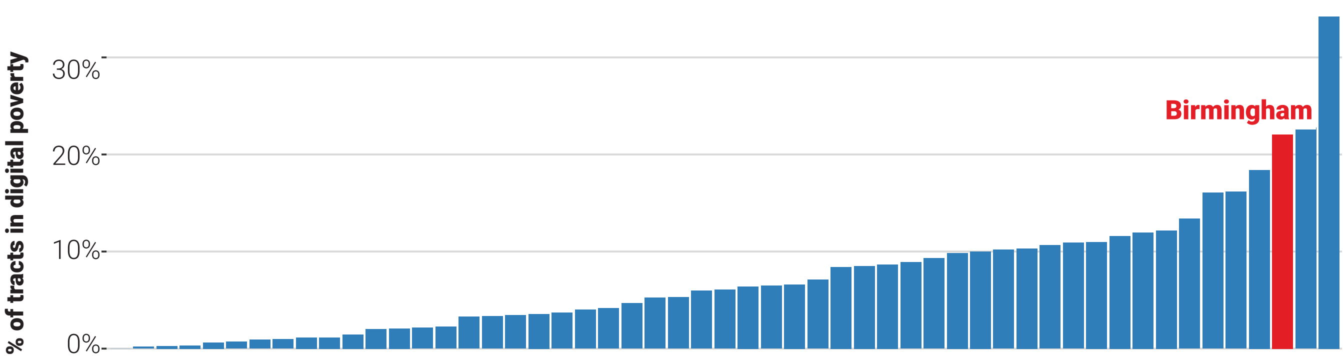
Access to opportunity can also be thought of in a broader sense. As in other U.S. cities, a history of structural racism in the form of zoning, land use, and

Chart 5. Jobs in Birmingham region are much less accessible via public transit
Share of jobs accessible by auto and by transit in Birmingham region



Source: Brookings analysis of data from Access Across America, 2018

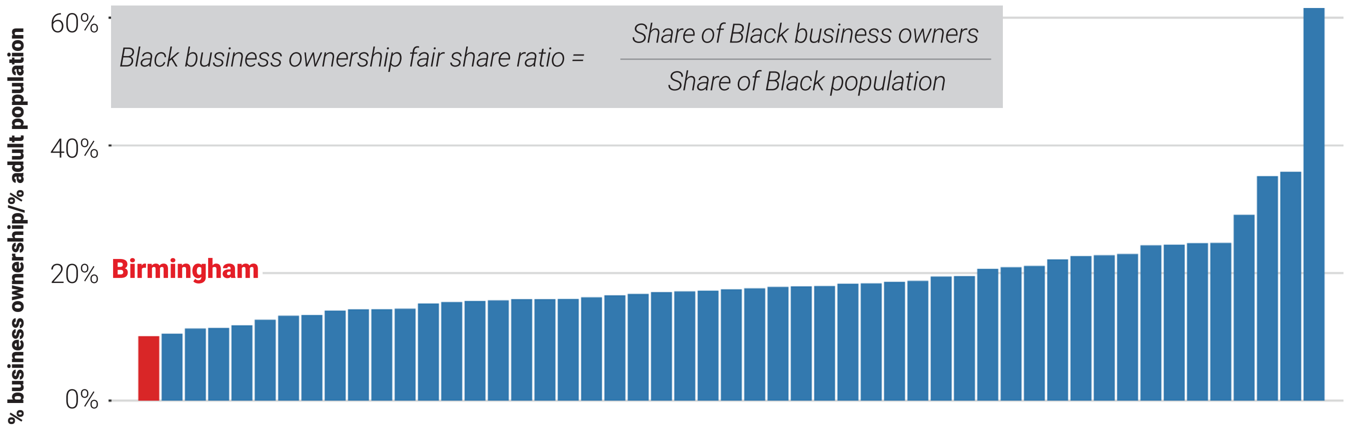
Chart 6. In Birmingham-Hoover, 23% of neighborhoods are in digital poverty
Share of tracts in digital poverty among 53 largest metro areas



Source: Brookings analysis of ACS 2018 5–year data housing policies has segregated Birmingham and stripped wealth from Black residents. Today, even when controlling for structural characteristics of homes and neighborhood amenities, homes in Birmingham's majority-Black neighborhoods are valued, on average, 40% less than homes in the region's majority-white neighborhoods, resulting in hundreds of millions of dollars in lost equity for homeowners.[14] In addition to a lack of Black wealth creation, historic segregation continues to undermine equal access to labor, housing, and lending markets. This is not only unjust; it also curtails the growth of the economy. For instance, Black people are 28% of the region's population but own only 3% of businesses with employees, despite national studies showing there are no differences in entrepreneurial interest or abilities between demographic groups.[15] That represents the largest racial disparity in business ownership among metro areas with populations over 1 million, and it results in fewer overall jobs and fewer jobs accessible to Black-majority neighborhoods (Chart 7).

Chart 7. The Birmingham region has the lowest rate of Black business ownership among all large US metro areas

Black business ownership fair share ratio among 53 largest metro areas



Source: Brookings analysis of Annual Business Survey data

The takeaway: Unequal access hits Black-majority neighborhoods hardest, as local jobs and entrepreneurship opportunities are a critical source of wealth, employment, and neighborhood stability.

Photo credit: LRY Media Group

2. PROSPER: BRINGING THE REGION TOGETHER AROUND TRANSFORMATIONAL CHANGE

Given the moment, a group of Birmingham leaders decided to do something different. Beginning in 2019, these leaders—in partnership with Brookings—quietly engaged over 100 community stakeholders to assess the region's current assets and disadvantages. They concluded that Birmingham can excel in the modern economy, but that there are no quick and easy fixes to the systemic economic challenges the region faces. This work requires significant resources from every sector and collaboration across institutions, but before Prosper, no one had brought government together with the private sector, higher education, and philanthropy to set a strategy and finance change over the long term.

This section outlines three specific roles Prosper intends to play—each of which addresses a gap in the existing system of civic and economic organizations.

Role #1: Assembling diverse leadership to establish and communicate the region's vision

Prosper is a table around which civic leaders and funders can debate and discuss the regional goals and priorities that constitute a regional vision.

Who sits at this table is critical. Central to Prosper's structure is a founding board that currently includes 19 leading CEOs, elected officials, university presidents, entrepreneurs, nonprofit leaders, and community changemakers. Each will have a voice and vote in influencing the trajectory of the organization's investment agenda and will serve as ambassadors between the leadership group and the community.

What this group will do, initially, is advance a common vision and agenda for the economy. This vision must focus on ensuring that two core outcomes are achieved. First, that Birmingham is achieving productive **growth** in the wake of COVID-19, meaning that businesses are producing more goods and services per worker employed and median earnings are increasing. Second, that growth should be **inclusive**, meaning that racial disparities in employment, earnings, and poverty are closing.

Generating this type of inclusive, productive growth will require Birmingham to broaden its approach to economic development, organized around investing and tracking progress in three drivers of inclusive growth: job creation, job preparation, and job access (Chart 8).

Chart 8. Prosper priorities and initiatives

Pillars	Priorities
Job creation	Create and grow more startups
	Help 'missing middle' small businesses innovate and grow
	Accelerate growth in HealthTech cluster
Job preparation	Invest in college and career pathways for Birmingham's youth
	Help displaced workers get back on their feet through in-demand training
Job access	Connect people without cars to jobs
	Build and grow more businesses in the Black community
	Bridge the digital divide

Prosper initiatives:

1. Business Advisory Services	**2.** Health Tech Initiative	**3.** Black-owned Business Acceleration	**4.** Birmingham Promise

Role #2: Applying focus with select regional priorities and initiatives

After nearly two years of extensive data analysis, local outreach, and assessment of the national competitive landscape, Brookings—in coordination with dozens of local stakeholders—has worked with the Prosper board to identify **eight priorities** and **four initiatives** that will be the initial focus for the organization's financing plan.

Job creation

Priority 1: Create and grow more startups

One of Birmingham's most significant areas of recent investment has been in technology-enabled startups. Beginning with the creation of the Innovation Depot in 2007, there has been a robust network of organizations[16] focused on young enterprises positioned for high growth with the potential to create and capture new markets.[17] In recent years, Birmingham's most notable startups have focused on the software space, led by companies such as Daxko, Fleetio, Therapy Brands, and Shipt. These investments are paying off. Overall, PitchBook reports that venture capital investment in the region grew from an average of $13 million per year in the 2012 to 2015 period to $30 million per year in the 2016 to 2019 period.[18]

There is much to celebrate in Birmingham's startup scene, but it is also important to recognize that it will take more time for investments in the startup ecosystem to bear fruit in the form of scaled businesses and widespread jobs. Interviews revealed that the scarce ingredient in Birmingham is not necessarily capital nor fundable ideas (although more of both is needed). Rather, technical talent and management expertise—the "who" and "how" of scaling a growth company—were often highlighted as binding constraints. This is why the most recent round of successful founders is paying it forward to the next generation through accelerators such as Bronze Valley, Velocity, ScaleUp Birmingham, and Techstars. This type of ecosystem-building can be supported by large corporations, city governments, and regional economic development leaders, but fundamentally, it must be driven by entrepreneurs themselves—especially "keystone entrepreneurs," or well-networked entrepreneurs with valuable information to share.[19]

Priority 2: Help 'missing middle' small businesses grow

Startups are attracting attention in Birmingham, but there is not currently as robust a support system for "missing middle" businesses—those with between 10 and 99 employees and growth potential. Most evidence on the drivers of net job creation points to *young* firms (not *small* firms) that grow consistently but quickly from startup to midsized. Some studies reveal that businesses with five to 10 employees up to those with 30 to 40 employees are particularly crucial.[20]

Economic development interventions can help fill this gap in support for missing middle businesses. These businesses have enough capacity to effectively incorporate outside advice (e.g., a head of human resources who can focus on hiring and talent development strategies), but not enough resources to seek out private consultants (few of which focus on the needs of these scale-up companies anyway) or to garner support from traditional government economic development incentives.[21] The best evaluations of economic development strategies conclude that customized business services such as job training and business advice to smaller businesses can have job creation effects per dollar that are five to 10 times greater than tax or cash incentives.[22]

Prosper will support missing middle small businesses through a new initiative called Business Advisory Services. This commitment helps these businesses overcome growth constraints through a hub-and-spoke model: At the core is a portfolio of tradable businesses supported by a corps of industry experts, housed at the Birmingham Business Alliance, and connected to a network of customized business service providers working in areas of talent management, technology adoption, and product innovation. Many of these service providers are already well known and utilized, and new consultants or experts could be added to the roster.

Priority 3: Accelerate growth in the HealthTech cluster

Every region's economic fortunes are dictated by the performance of a few key anchor industries—industries that increase wealth because they produce goods and services that are purchased outside the local economy.[23] Today, Birmingham is in search of a new industry (or industries) to fuel its growth.

Health technology is poised to grow substantially as the U.S. health care system shifts to a value-based care model that will incentivize providers to deliver more customized, technologically innovative treatments. These solutions will need to account for how societal factors influence health. Nationally, chronic health conditions (and now, COVID-19) disproportionately affect communities of color, revealing the critical role that social determinants such as poverty and structural racism play in health outcomes. This is particularly acute in Birmingham, where it impacts the labor market and drives up costs for employers and health systems. Based on the factors below, Birmingham is well positioned to play a key role in developing solutions to both local and national health care challenges.

- UAB's research strengths in precision medicine, informatics, and health disparities provide a rare combination of localized scientific and technological expertise to be commercialized.

- Birmingham's demographic profile provides an in-demand market for piloting and refining new technological solutions, business models, and workforce capabilities.

- Birmingham is already producing successful startups whose business models are based on more innovative and inclusive health care delivery.

Together, these factors motivate the new HealthTech Initiative, a cross-sector effort to support the health technology cluster in Birmingham through investments in entrepreneurship, talent, and community health. It will involve standing up an accelerator to generate new ideas and businesses, developing a health coaching talent development strategy, and building a community engagement platform to enable UAB's Live HealthSmart initiative and enhance clinical trial and pilot testing awareness in Birmingham neighborhoods.

Photo credit: University of Alabama at Birmingham

Job preparation

Ultimately, cities exist for the benefit of their people. Cities that provide their residents with the opportunities and resources to participate fully in society align with common notions of fairness, justice, and morality. And to be clear, people are not commodities to be optimized, nor defined only by the knowledge they exchange for income. But that collective knowledge—or what economists call the "human capital stock"—is also the main source of any region's economic prosperity. The total value of the nation's human capital is estimated to be $240 trillion, approximately 10 times the value of America's urban land ($25 trillion) and four times the value of America's invested physical capital ($60 trillion).[24] Applied locally, where urban land is worth about $50 billion, Birmingham's workforce is an asset priced in the hundreds of billions of dollars. Given the incredible value and potential of Birmingham's people, investing in education, training, and gainful employment can have tremendous returns for economic growth.

Photo credit: University of Alabama at Birmingham

Priority 4: Invest in college and career pathways for Birmingham's youth

Educational attainment is one of the best predictors of economic success for an individual, organization, or community.[25] However, the journey from school to a career is complicated for at least three reasons. First, growing up poor greatly influences a young person's chance to succeed in education and training.[26] Second, the completion of a postsecondary degree or credential is essential to obtaining a quality job, but many students do not complete this journey due to the declining affordability of higher education, the wide variation in higher education quality and outcomes, and insufficient student-level supports.[27] The third challenge is that alternative job training pathways—taking the non-four-year-university track—remain relatively underfunded and difficult to navigate, nationwide and in Birmingham.[28]

New initiatives such as Birmingham Promise address all three of these challenges by providing postsecondary education and apprenticeship pathways for Birmingham City Schools graduates. For students of lesser financial means, the initiative lowers the monetary barrier to education and training by providing tuition assistance, and eases the challenges of the college transition for first-generation students by providing coaching and mentoring. Importantly, if postsecondary education is not a young person's chosen path, Birmingham Promise's apprenticeship track extends an onramp to careers in high-demand fields such as health care, information technology, or advanced manufacturing, starting in high school and continuing after graduation. At the same time, existing and new training programs such as Innovate Birmingham and Ed Farm provide shorter pathways to in-demand digital skills.

Connecting these programs and initiatives into a coherent system is the holy grail of talent development. Commendably, that is what the Building (it) Together coalition tasked itself with in 2018. By taking an industry-driven approach to talent development, higher education and training programs at universities and community colleges can align with the in-demand jobs of the future to make the journey from school to a quality job easier for young people.

Priority 5: Help displaced workers get back on their feet through in-demand training

Building out a talent development system with multiple entry points to good jobs is even more critical now that COVID-19 has displaced thousands of Birmingham workers.

There has been recent progress on incumbent worker training. For example, Central Six launched its IT apprenticeship program in alignment with Innovate Birmingham, and UAB has provided full scholarships to women for its agile project management and digital marketing courses during the COVID-19 pandemic. The Birmingham Service Corps was a creative response to the unemployment, health, and social challenges presented by COVID-19, and certainly an effort to build upon. These are innovative efforts, but they do not yet add up to a coordinated strategy.

Future training programs can reconnect and reskill adult workers by focusing on three areas:

- Provide "reconnect services": Preceding training, reconnect services use community outreach to ensure that the most disadvantaged and underserved populations are given opportunities and resources to connect to the system. These programs cannot produce equitable outcomes if proactive efforts are not made to ensure that the pipeline of trainees is representative.[29]

- Deliver training and wraparound services with the following design elements in mind: sectoral or industry-specific approach; individualized coaching and case management; money provided to trainees to help with child care and transportation; and private sector involvement and financing.[30]

- Work with employers to improve business practices around hiring, training, employee engagement, and other factors shaping job quality to ensure trainees have equitable opportunities to secure and keep good jobs.

This is one blueprint for a continuum of services that operate on both the supply and demand side to help reconnect workers to the labor market, and could be piloted through the HealthTech Initiative's health coaching talent development strategy.

Job access

In the 2017 election, Mayor Randall Woodfin ran on the theme of neighborhood revitalization, acknowledging that while Birmingham's core has been experiencing a wave of reinvestment, those gains have not been shared evenly in outlying neighborhoods. That neighborhood focus affirms another conclusion from rigorous research: how economic opportunity—or economic disadvantage—is distributed across a region influences a region's overall growth and competitiveness. Innate talent is distributed equally across the Birmingham region, but residents of many neighborhoods face major barriers to developing their talents as workers or entrepreneurs. This lost potential hinders the productivity and dynamism of the regional economy.[31]

Thus, the third pillar of this framework focuses on job access—specifically, how lower-income communities and communities of color access jobs and wealth-building opportunities. It offers three strategic priorities: 1) connect people without cars to jobs; 2) build and grow more businesses in the Black community; and 3) bridge the digital divide.

Photo credit: University of Alabama at Birmingham

Photo credit: Shutterstock

Priority 6: Connect people without cars to jobs

Like most metropolises, there are several major job hubs in the Birmingham region (downtown, UAB, the innovation district, Homewood, and Hoover) surrounded by smaller commercial corridors, industrial areas, and residential neighborhoods. Even as downtown and the areas near UAB have experienced renewed investment—most notably Railroad Park and Regions Field—the most robust job growth in the wake of the Great Recession occurred in suburban jurisdictions. During the 2000s, the number of jobs accessible within a reasonable commute declined by about 15% across all neighborhoods, and by 36% and 25% for high-poverty and majority-nonwhite neighborhoods, respectively.[32] With jobs decentralizing, cars become even more important to access work. Relative to public transit, cars increase the number of jobs accessible within a 30-minute commute by a factor of 100, from 2,700 jobs via public transit to 268,000 jobs via car.[33]

More than eight in 10 workers drive to work, but the 15% of the workforce that does not drive could benefit from new investments in alternative transportation options. One major new investment is the Birmingham Xpress, a bus rapid transit line that will connect 25 neighborhoods and travel from Woodlawn to the Crossplex. The Xpress offers a transportation anchor for a job hubs strategy, which would prioritize investments in business growth and attraction in areas well served by existing infrastructure and accessible to large numbers of workers. This could involve investing in placemaking to make existing job hubs more vibrant or accelerate the development of new job hubs—areas with economic, physical, and/or civic assets that the private and public sectors have undervalued, but which could emerge as notable districts going forward.

For workers not living or working along the Xpress line, affordable on-demand ridesharing programs are another promising alternative. Birmingham On-Demand, a partnership between Via, the city, and the Community Foundation of Greater Birmingham, offers low-cost rides in a dedicated zone within Birmingham. Initially a six-month pilot project, Birmingham On-Demand experienced an initial increase of 300% in ridership and has maintained its service for essential workers during the COVID-19 pandemic.[34]

Priority 7: Build and grow more businesses in the Black community

Birmingham's recovery will be slow, incomplete, and inequitable if its small businesses are left behind. Recognizing this, the region's leaders are coming together to address two interlinked small business crises. The first—COVID-19's sudden shock to small businesses—is acute and immediate. In 2020, 81% of surveyed small businesses in Birmingham had applied for federal loan assistance, evidence of widespread liquidity pressures.[35] The second crisis—the structural racial disparities in small business ownership—is long-standing and equally damaging. In Greater Birmingham, Black people constitute 28% of the population but own just 3% of businesses with employees, the largest disparity among metro areas with populations over 1 million.[36]

This priority acknowledges that the two crises are mutually reinforcing, and calls for a reimagining of the component parts of a small business system—coaching and mentorship, capital, corporate engagement, and community infrastructure—to ensure that they are working for the Black community. Ongoing efforts are already extending support to Black-owned businesses in Birmingham, including a growing network of community development financial institutions

(CDFIs), Rebound Bham, BhamStrong, the city's Small Business Council and VITAL initiative, the Community Foundation's Catalyst Fund, and new intermediaries such as Bronze Valley.

Overall, the region should seek to build a business development system that provides high-quality services tailored to each type of business (e.g., growth/traded sector, neighborhood-based) at each stage of growth. Investment should focus on three areas in the small business support system:

A. High-quality and coordinated services and capital for small, Black-owned businesses

B. A neighborhood-focused approach to counter the effects of COVID-19 and sustain the momentum of neighborhood revitalization

C. Dedicated acceleration services for Black-owned businesses poised for growth that, for a variety of reasons, may not be well served by the existing entrepreneurship support system

Priority 8: Bridge the digital divide

Life in Birmingham—particularly in the time of COVID-19—is increasingly online. As our Brookings colleagues Adie Tomer and Lara Fishbane write, "Just as entire industries and personal activities developed around electricity in the 20th century, the same level of economic and social transformation is underway using digital services today."[37] But among the 53 metro areas with a populations over 1 million, the Birmingham region has the nation's third-highest share of neighborhoods experiencing digital poverty, meaning that at least half of households do not have a wireline subscription and at least half do not have a wireless subscription.[38] This digital inequity creates barriers to working, learning, socializing, and accessing health and other services.

One way to combat these gaps would be to create a digital equity initiative focused on three areas, as our Brookings colleagues recommend. This would first involve exploring network gaps and considering strategies that would provide universal access to wireline and wireless internet service. Second, the initiative would work with internet service providers to bring down the effective price of broadband and necessary devices, so that lower-income families can afford access. Third, in relation to the reskilling priority, the initiative would establish training programs that endow workers with the digital skills necessary to thrive online.[39]

Photo credit: The Univerasity of Alabama at Birmingham

Role #3: Align and scale investment and track impact

No one entity in the region has the resources alone to make this agenda occur. Therefore, Prosper is a mechanism that aligns corporate, public, and philanthropic leaders around one investment agenda. It is not an operating organization, and it will not directly implement the initiatives outlined above.

Rather, Prosper will be an investor and tracker. In order to effectively guide the long-term transformation of Birmingham's economy, Prosper will need to constantly examine how it is allocating investments of time and energy across its priorities. That necessitates a set of metrics that provide regular insight into where progress is and isn't being made in its initiatives and focus areas.

Prosper is designed to work at different levels. On one level, it is pursuing an ambitious civic agenda in which impact can only be measured in terms of fundamental shifts in the direction and structure of Birmingham's economy. On another level, it is overseeing a limited set of initiatives focused on addressing the needs of specific industries, workers, and businesses through clearly defined tactics. The impact of this work should be measured in terms of the direct outcomes of specific investments.

Accordingly, Prosper will track metrics that reflect the different levels at which it works. The model for this multilayered approach to metrics is illustrated below. This report has laid out Prosper's ***vision*** and its theory of the ***drivers*** of inclusive growth. This graphic completes the link between shared vision and shared accountability by describing the data that Prosper will use to measure progress on ***outcomes***, ***goals***, and ***key performance indicators***.

Chart 9. Framework for accountability

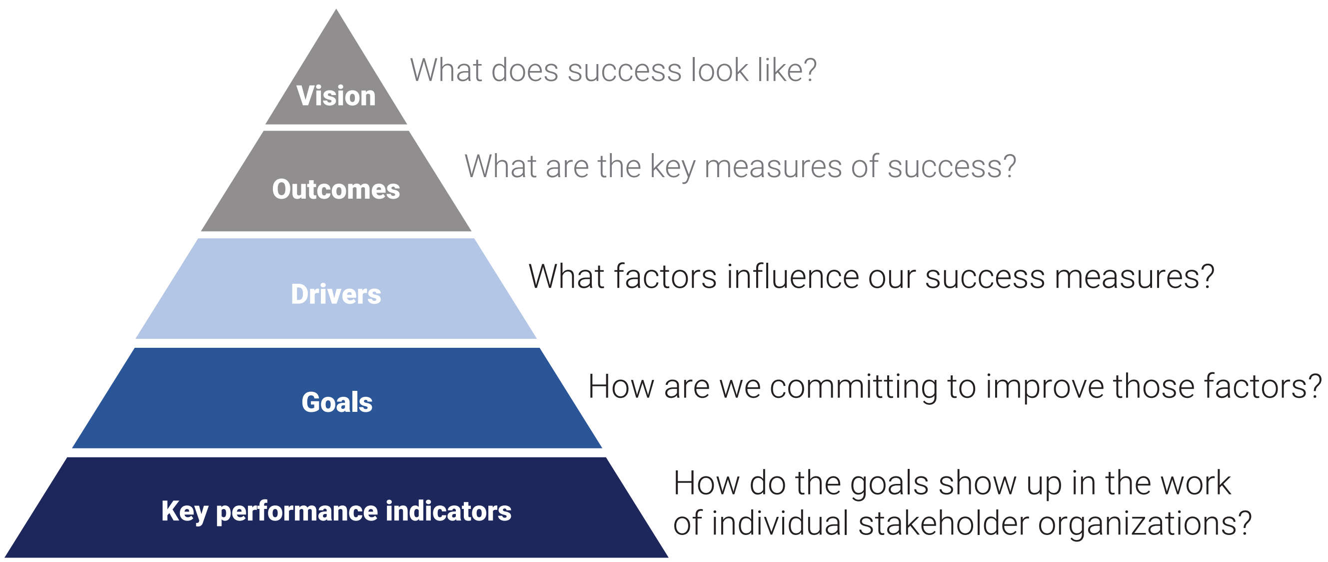


Chart 10. While much greater economic forces will influence these metrics, Prosper will track progress on outcome goals and drivers

Growth	Jobs Output per job Median earnings
Inclusion	Gap in employment-to-population ratio Gap in median earnings Gap in relative income poverty rate
Job Creation	Jobs at young firms Jobs in tradable industries Venture capital invested per 1000 workers
Job Preparation	Share of high school students that are college/career ready Share of adults with Associate's Degree or higher Share of workers that are low wage
Job Access	Share of neighborhoods with low employment rate Black business ownership fair share ratio Share of neighborhoods in digital poverty Share of residents reporting poor health

Photo credit: Shutterstock

3. CONCLUSION: THE PATH FORWARD

Sustained, multisector regional partnerships make economic transformation possible. San Diego—through intermediaries such as Connect and the San Diego Regional Economic Development Corporation—has evolved from a military town to a top-five U.S. innovation center. Pittsburgh—through the Allegheny Conference and major anchor institutions—has transitioned from steel to robotics. In Detroit, the New Economy Initiative—a regional entrepreneurship effort—has helped create 17,000 jobs since the end of the Great Recession. In Cleveland, the Fund for Our Economic Future—the effort on which Prosper has been modeled—has helped retain or create more than 40,700 jobs, add $1.86 billion in payroll, and attract $11.3 billion in capital to the Northeast Ohio region since its founding in 2004. In Indianapolis, BioCrossroads—a life sciences organization affiliated with the Central Indiana Corporate Partnership—has created seed and early-stage investment vehicles that have attracted an additional $450 million in investment in over 40 Indiana companies, three of which have gone public.

What is common across these examples is that they all maintained a concerted and focused civic collaboration. Therefore, Prosper cannot do it alone. It needs to work with the community; to stand by its vision and agenda; to be focused, not scattershot; and to hold its leaders accountable. It should also invite others to co-invest in this vision, such as national philanthropy, private capital investors, and state and federal policymakers.

Ultimately, Birmingham's future is in its own hands. 2021 is the 150th anniversary of the city's founding, and the beginning of its fourth industrial era. The rapid growth from the iron and steel boom drove Birmingham's first half-century cycle (1871 to 1929). Its second industrial era—heavy industry—began with a market crash in 1929 and ended in 1979, the year UAB surpassed U.S. Steel as Birmingham's largest employer. The third era—characterized by a difficult transition to the services economy—is now ending, and 2021 marks another tipping point in Birmingham's history—one that has been building for some time and now stands to benefit from the abrupt reevaluation COVID-19 has forced on the community. Reaching this tipping point requires significant collective action and investment from Birmingham's leaders to ensure that—unlike the discriminatory nature of past eras—all of the region's residents can contribute to and benefit from its future growth and opportunity.

APPENDIX A

Metrics

In order to effectively guide the long-term transformation of Birmingham's economy, Prosper will need to constantly examine how it is allocating investments of time and energy across its priorities. That necessitates a set of metrics that provide regular insight into where progress is and isn't being made in its initiatives and focus areas.

Prosper is designed to work at different levels. On one level, it is pursuing an ambitious civic agenda in which impact can only be measured in terms of fundamental shifts in the direction and structure of Birmingham's economy. On another level, it is overseeing a limited set of initiatives focused on addressing the needs of specific industries, workers, and businesses through clearly defined tactics. The impact of this work should be measured in terms of the direct outcomes of specific investments.

Accordingly, Prosper will track metrics that reflect the different levels at which it works. The model for this multilayered approach to metrics is illustrated below. This document has laid out Prosper's ***vision*** and its theory of the ***drivers*** of inclusive growth. This section completes the link between shared vision and shared accountability by describing the data that Prosper will use to measure progress on ***outcomes***, ***goals***, and ***key performance indicators***.

Peer metro areas

The geography for all metrics will be the Birmingham metro area. The outcomes and goals below will each be reported in reference to a group of peer metro areas. Peer comparisons are especially important given the disruption of the COVID-19 pandemic; progress on some of these measures may be unsteady or slow relative to the pre-pandemic economy, so peer comparisons will provide important context on whether Birmingham is on the right track.

The 14 peer metro areas are Indianapolis, IN, Baton Rouge, LA, New Orleans, LA, Kansas City, MO-KS, Buffalo, NY, Rochester, NY, Cleveland, OH, Memphis, TN-MS-AR, Virginia Beach, VA-NC, Richmond, VA, Milwaukee, WI, Louisville, KY-IN, Nashville, TN, and Huntsville, AL. They were identified using an algorithm that took into account population, productivity, median income, extreme poverty share, education attainment, and White/Black Dissimilarity Index.

Outcomes

Achieving Prosper's vision requires simultaneous progress on two fronts: high-quality, productive growth and inclusion. Outcomes related to these two imperatives will be measured as follows. Changes in these high-level metrics cannot be attributed directly to investments made by Prosper, since they are influenced by social, political, and macroeconomic factors that are beyond the control of any local effort. As such, these metrics are most useful as a way to help Prosper communicate to outside stakeholders whether the economy is progressing toward the broader vision. These metrics will be reported annually.

Growth: Each metric measured relative to pre-COVID-19 peak

- Jobs
- Productivity (output per job)
- Median earnings

Inclusion: Each metric tracks gaps between white people and people of color, measured relative to pre-COVID-19 peak:

- Employment rate gap
- Median earnings gap
- Poverty rate gap

Goals

Prosper can be confident that progress toward these outcomes is the result of the development of the capacity of Birmingham's economy (as opposed to temporary political or macroeconomic forces) if that progress is accompanied by measurable improvements in each of the drivers of inclusive growth. Compared to the outcomes above, these metrics are more closely aligned with Prosper initiatives and more likely to move as a result of Prosper investments. They are, however, still mostly influenced by broader social, political, and macroeconomic factors. Therefore, these metrics will not directly measure the return on investment of specific Prosper initiatives. Rather, they should be seen as a way to help Prosper understand whether its portfolio needs to be rebalanced to emphasize areas in which regional performance is lagging.

Because these goals are more likely to be influenced by Prosper's activities, Prosper has set more specific *relative* targets for the region's performance. Namely, for each of the nine goals below, the target is for Birmingham to be in the top half of its peer metro areas (i.e., ranked in the top seven out of 15) in five years; the top third of its peer metro areas (i.e., ranked in the top five out of 15) in 10 years; and in the top quintile (i.e., top three out of 15) in 15 years.

Table 1. Prosper has set specific goals for the region's performance

Outcomes	Indicators	Baseline	2024	2029	2034
Growth	Jobs	514,000	557,000	610,000	680,000
	Output per Job	$127,000	$130,000	$134,000	$139,000
	Median Earnings	$36,000	$36,000	$37,000	$40,000
Inclusion	Gap in Employment-to-Population Ratio	4%	3%	2%	0%
	Gap in Median Earnings	$13,000	$12,000	$11,000	$10,000
	Gap in Relative Income Poverty Rate	11%	8%	7%	4%
Goals	**Indicators**	**Baseline**	**2024**	**2029**	**2034**
Job Creation	Jobs at young firms	8%	9%	10%	11%
	Jobs in tradable industries	26%	29%	33%	35%
	VC per 1000 worker	$14,000	$17,000	$25,000	$29,000
Job Preparation	Share of high school students that are college/career ready	72%	NA	90%	NA
	Share of adults with Associate's or higher	62%	66%	68%	72%
	Share of workers that are low wage	40%	38%	38%	37%
Job Access	Share of neighborhoods with low employment rate	29%	13%	9%	9%
	Black business ownership fair share ratio	11%	17%	23%	23%
	Share of neighborhoods in digital poverty	13%	6%	4%	4%
	Share of residents reporting poor health	13%	13%	13%	12%

Source: Brookings analysis of data from U.S. Census Bureau County Business Patterns, U.S. Census Bureau Local Employment Dynamics, Pitchbook, Bold Goals Coalition Education Dashboard, U.S. Census Bureau American Community Survey, U.S. Census Bureau, Annual Business Survey, and CDC The PLACES Project

In order to allocate resources strategically in the interim, Prosper also needs to set *absolute* targets—estimates of the number of firms, jobs, workers, or residents that need to be served in order to give Birmingham a good shot at making enough progress relative to peers. This is a speculative exercise; for each goal, Prosper will assume that each of its peer metro areas will progress over the next five years at the average rate that it did in the first five years of the previous decade (and over the next 10 years at the average rate that it did over the full previous decade). Conveniently, each decade corresponds to a recovery period from a major recession. Based on this projected trajectory, Prosper has calculated what will be required in absolute terms over the next five years to vault Birmingham into the top half, over the next 10 years into the top five, and over the next 15 years into the top three.

These metrics will be reported annually. Where possible, data will be disaggregated by race and gender. (The term "people of color" means that data will be reported for several major racial and ethnic groups.)

Job creation:

- Net job creation in young firms (firms less than five years old)
- Net job creation in tradable industries
    - Share of tradable jobs held by people of color and women
- Venture capital invested in Birmingham-based businesses

Job preparation:

- Share of population with associate degree, credential, or higher
    - Share of people of color with associate degree, credential, or higher
- Share of workers with associate degree or higher in low-wage jobs
    - Share of people of color and women with associate degree or higher in low-wage jobs
- Share of high school students that are college/ career ready

Job access:

- Share of neighborhoods with low employment rates (< 50%)
- Black business fair share ratio
- Share of neighborhoods in digital poverty
- Share of residents reporting physical health not good for more than 14 days
    - Share of residents in majority-minority neighborhoods reporting physical health not good for more than 14 days

ENDNOTES

1. Susan Lund et al., “The future of work in America: People and places, today and tomorrow” (San Francisco, McKinsey Global Institute, 2019).

2. Robert Atkinson, Mark Muro, and Jacob Whiton, “The case for growth centers: How to spread tech innovation across America” (Washington: Brookings Institution, 2019).

3. Good jobs don’t require a four-year degree, pay at least the regional median wage, and offer benefits.

4. While there is no surefire answer to the question of how regional economies can be resilient in the face of a COVID-19-like shock, a favorable industry mix, information technology clusters, technological adaptability, and strong industry networks have all been frequently cited as contributors to economic resilience over time. Pierre-Alexandre Balland, David Rigby, and Ron Boschma, “The Technological Resilience of U.S. Cities.” *Cambridge Journal of Regions, Economy, and Society* 8 (2015): 167-184.

5. For a region to be resilient, its workers must be. Measures of economic dynamics—the ability of a local economy to “rewire” by reallocating resources in response to economic shocks—emerge as important predictors of performance (in the wake of the Great Recession). Mark Partridge and Alexandra Tsvetkova, “Road to despair and the geography of the America left behind,” 2018 Allied Social Sciences Association Annual Meeting (2018).

6. Income inequality and social fragmentation and segregation also limit recovery. One study found that “income inequality increases a region’s risk or vulnerability to recession shock” while another found that “measures of social cohesion, including residential segregation, fragmented metropolitan governance, and sharp difference in city suburb poverty levels, all play a role” in recovery. Paul A. Lewin, Phillip Watson, and Anna Brown. “Surviving the Great Recession: The Influence of Income Inequality in US Urban Counties.” *Regional Studies* 52 (6) (2018): 781-92. Chris Benner and Manuel Pastor. *Equity, Growth, and Community: What the Nation Can Learn from America’s Metro Areas. (Oakland, CA: University of California Press, 2015): 364.*

7. Burning Glass Technologies and the Council for Adult and Experiential Learning, “Building it Together: A Framework for Aligning Education and Jobs in Greater Birmingham” (Birmingham: Bold Goals Coalition of Central Alabama, 2020).

8. The workhorses of regional economic development are young, innovative firms in “tradable industries,” meaning they sell outside the local market. About 70% of net job growth comes from these types of businesses.

9. “Quality jobs” combines two categories: “good jobs” don’t require a four-year degree, pay at least the regional median wage, and offer benefits. “Promising jobs” are those that, per Brookings analysis, offer a pathway to such jobs within 10 years.

10. Brookings analysis of Bureau of Labor Statistics’ Metropolitan Area Employment and Unemployment data (as of March 2021).

11. Elizabeth Kneebone and Natalie Holmes, “The growing distance between people and jobs in metropolitan America” (Washington: Brookings Institution, 2015).

12. Brookings analysis of the University of Minnesota’s Access Across America data.

13. Adie Tomer and Lara Fishbane, “Neighborhood broadband data makes it clear: We need an agenda to fight digital poverty” (Washington: Brookings Institution, 2020).

14. Andre M. Perry, Jonathan Rothwell, and David Harshbarger, “The devaluation of assets in black neighborhoods The case of residential property” (Washington: Brookings Institution, 2018).

15. Jonathan Rothwell, “No recovery: An analysis of long-term US productivity decline” (Washington: Gallup, 2016).

16. Today, Birmingham's startup ecosystem includes organizations focused on capital provision (AL Capital Network, Bronze Valley, AL Futures Fund); ecosystem development (Tech Birmingham, UAB's Harbert Institute for Innovation and Entrepreneurship), and acceleration services (Velocity, Techstars, Bronze Valley).

17. Massimo G. Colombo and others, "Venture Capital and HighTech Start-Ups," *Venture Capital* 12 (4) (2000): 261–66.

18. Brookings analysis of Pitchbook data.

19. The best evaluations of entrepreneurship ecosystems across the world conclude that these social interconnections between entrepreneurs and supporting organizations are the most important predictor of starting and scaling growth companies. Maryann Feldman and Ted Zoller, "Dealmakers in Place: Social Capital Connections in Regional Entrepreneurial Economies," *Regional Studies* 46 (1) (2012): 23-27. Victor Hwang, *The Rainforest: The Secret to Building the Next Silicon Valley* ([place unknown],2012). Brad Feld and Ian Hathaway, *The Startup Community Way: Evolving an Entrepreneurial Ecosystem* (Hoboken, NJ: Wiley, 2020).

20. Gary Kunkle quoted in TrueSpace, LLC and Gallup Inc., "The Five Conditions Assessment" (Washington: TrueSpace, LLC, 2020).

21. See above.

22. Timothy Bartik and John Austin, "Most business incentives don't work. Here's how to fix them" (Washington: Brookings Institution, 2019).

23. This is clearly the case for Birmingham, which first rose and fell alongside the coal and steel industry, followed by metals, and then banking, before that industry contracted due to mid-2000s mergers and the Great Recession, leading to the loss of nearly 4,000 jobs.

24. Estimates of the U.S. human capital stock vary based on the methodology used. Michael Christian values the U.S. human capital stock at $240 trillion in 2013. Gang Liu estimated that the human capital stock was $153 trillion in 2006. Michael S. Christian, "Net Investment and Stocks of Human Capital in the United States, 1975- 2013," (Washington: Bureau of Economic Analysis, 2016). Gang Liu, "Measuring the Stock of Human Capital for International and Intertemporal Comparisons," Measuring Economic Sustainability and Progress, (2014): 493–544. Estimates of urban land come from: David Albouy, Gabriel Ehrlich, and Minchul Shin, "Metropolitan Land Values," *The Review of Economics and Statistics* 100 (3) (2017): 454–66.

25. For individuals, education or training beyond high school has clear benefits in the labor market. The earnings gap between the typical college and high school graduate soared from 38% in 1980 to over 70% in the post-Great Recession period. For businesses, there is a clear and growing demand for workers with education and training beyond high school. Two-thirds of new jobs now require postsecondary education or an equivalent credential. For local and state economies, educational attainment—as measured by high school and college completion—is one of two main factors (along with patenting rates) that explain the long-run divergence in state-level per capita incomes. Brookings analysis of U.S. census data. Rebecca Diamond, "U.S. Workers' Diverging Locations: Causes and Inequality Consequences." In Susan M. Wachter and Lei Ding, Shared *Prosperity in America's Communities* (Philadelphia: University of Pennsylvania Press, 2016). Anthony P. Carnevale and Stephen J. Rose, "The Economy Goes to College" (Washington: Georgetown Center on Education and the Workforce, 2015). Paul W. Bauer and others, "State Growth Empirics: The Long-Run Determinants of State Income Growth" (Cleveland, OH: Federal Reserve Bank of Cleveland, 2007).

26. Research shows that the most significant predictor of educational outcomes is parental income. These inequities do not reflect the intrinsic desire or talents of the students themselves, but the structure of the systems they must navigate. Disadvantaged students disproportionately attend schools that are under-resourced or have worse academic outcomes. Jesse Rothstein, "Inequality of Educational Opportunity? Schools as Mediators of the Intergenerational Transmission of Income" (Washington: Center for Equitable Growth, 2017). Isabel V. Sawhill, Scott Winship, and Kerry Searle Grannis, "Pathways to the Middle Class: Balancing Personal and Public Responsibilities" (Washington: Brookings Institution, 2012). Harry J. Holzer, "The US Labor Market in 2050: Supply, Demand and Policies to Improve Outcomes," (Washington: Brookings Institution, 2019).

27. Pursuing higher education is a shrewd move, but only if you can complete the degree. Today, 45 million individuals have started but not completed college. The need to support themselves and their families often limits the ability of low-income students to start or complete higher education. With less time and fewer resources, higher education becomes a journey of fits and starts, especially since colleges and universities vary considerably in their ability to support low-income or first-generation students. Oftentimes, the institutions serving the least-prepared students have the fewest resources. Yet, when making decisions about college, students often do not have the information at hand or the freedom to make decisions that minimize these risks. For those that do complete higher education, labor market outcomes can vary significantly by institution and degree. Community colleges—a critical talent development source—exemplify this variation. Technical degrees and certificates in high-demand fields offer students upward earnings mobility, especially when they are responsive to local labor markets. But economist Harry Holzer also finds that nearly half of students receiving two-year associate degrees receive them in "general studies" or "liberal studies"—fields that offer little financial reward upon completion. Those that start and do not finish, or finish without a valuable skill set, are not earning enough to warrant the significant educational investment and are left to contend with student loan debts. David Leonhardt and Sahil Chinoy, "The College Dropout Crisis," *The New York Times*, May 24, 2019. Ben Backes, Harry J. Holzer, and Erin Dunlop Velez, "Is it worth it? Postsecondary education and labor market outcomes for the disadvantaged," *IZA Journal of Labor Policy* 4 (1) (2015). Harry J. Holzer, "Worker Skills and the US Labor Market: What Role Should Policy Play?" In ed. Michael R Strain, *The US Labor Market: Questions and Challenges for Public Policy* (Washington: American Enterprise Institute, 2016). As of July 8, 2019, the total amount of outstanding US student loans is $1.6 trillion. Accessed at: fred.stlouisfed.org/series/SLOAS#0.

28. As mentioned above, training models that provide learners with in-demand technical skills and generalized skills such as communications and critical thinking have shown promise. These models often provide financial support to trainees, work-based learning opportunities, and an in-demand associate degree or certificate in partnership with local employers and either high schools or community colleges. Harry J. Holzer and Sandy Baum, *Making College Work: Pathways to Success for Disadvantaged Students* (Washington: Brookings Institution Press, 2017).

29. One example of this strategy is Tennessee Reconnect, which is funding regional efforts to create Community Navigator programs. Each of four regions in Tennessee receives $1.25 million in state funding per year to hire a team of institution-neutral navigators that work with adults from the moment they express interest in returning to college until they graduate. According to one summary of the program, navigators often provide high-touch emotional and psychological support and encouragement. This degree of involvement is probably necessary to improve the extremely low completion rates of community college programs, given the job and family responsibilities of Reconnect students.

30. The WorkAdvance initiative, a four-city workforce pilot, found that sector partnerships could successfully connect low-income individuals to good jobs for about $5,000 to $7,000 per trainee. Mark Elliott and Anne Roder, "Escalating Gains: Project QUEST's Sectoral Strategy Pays Off" (New York: Economic Mobility Corporation, 2017). Richard Hendra and others, "Encouraging Evidence on a Sector-Focused Advancement Strategy" (New York: MDRC, 2016).

31. Recent research by Katharine Bradbury and Robert Triest confirmed the connection between equal opportunity and local economic growth. Controlling for other factors that influence it, they found that metro areas where low-income children experienced higher upward mobility—their chosen measure for equality of opportunity—achieved faster per capita income growth. Katharine Bradbury and Robert K. Triest, "Inequality of Opportunity and Aggregate Economic Performance," *RSF: The Russell Sage Foundation Journal of the Social Sciences* 2(2) (2016): 178-201.

32. Elizabeth Kneebone and Natalie Holmes, "The growing distance between people and jobs in metropolitan America" (Washington: Brookings Institution, 2015).

33. Brookings analysis of the University of Minnesota's Access Across America data.

34. City of Birmingham and Via Transportation, Inc., "Birmingham On-Demand: Transportation Committee Update", May 20, 2020, **https://www.birminghamal.gov/wp-content/uploads/2020/07/Birmingham-On-Demand-Data-5_18_20-1.pdf**.

35. Brookings analysis of the U.S. Census Bureau's Small Business Pulse Survey.

36. Brookings analysis of the U.S. Census Bureau's 2018 Annual Business Survey.

37. Adie Tomer and Lara Fishbane, "Bridging the digital divide through digital equity offices" (Washington: Brookings Institution, 2020).

38. Adie Tomer and Lara Fishbane, "Neighborhood broadband data makes it clear: We need an agenda to fight digital poverty" (Washington: Brookings Institution, 2020).

39. Adie Tomer and Lara Fishbane, "Bridging the digital divide through digital equity offices."

ACKNOWLEDGEMENTS

The Brookings Institution is a nonprofit organization devoted to independent research and policy solutions. Its mission is to conduct high-quality, independent research and, based on that research, to provide innovative, practical recommendations for policymakers and the public. As such, the conclusions and recommendations of any Brookings publication are solely those of its authors, and do not reflect the views of the Institution, its management, or its other scholars.

The Brookings Metropolitan Policy Program (Brookings Metro) would like to thank the Alabama Power Foundation, Altec Styslinger Foundation, Community Foundation of Greater Birmingham, and Regions Foundation for their generous support of this project.

The Brookings team was grateful for the leadership of a steering committee for this project, including Mark Crosswhite of Alabama Power, John Turner of Regions Bank, Dr. Ray Watts of the University of Alabama at Birmingham, Tim Vines of BlueCross BlueShield Alabama, and especially Mayor Randall Woodfin and Lee Styslinger of Altec for catalyzing the partnership.

We benefited from a strong collaboration with a core group of leaders in Birmingham, including Josh Carpenter, Ed Fields, Rachel Harmon, and Sarena Martinez at the city of Birmingham; Key Hudson and Kate Danella of Regions Bank; Anthony Hood and Emily Wykle of UAB; Myla Calhoun, Blair King, and Ralph Williams of Alabama Power; Sanjay Singh of Pack Health; Chris Nanni, Gus Heard-Hughes, and Zhaundra Jones of the Community Foundation of Greater Birmingham; Fred McCallum and Emily Jerkins of the Birmingham Business Alliance; Bing Edwards; Tere Edwards of Altec; and J.W. Carpenter of Prosper.

And the team relied continuously on the expertise of dozens of additional committed leaders in Birmingham, including: Carlos Aleman, Steve Ammons, Charles Ball, Greg Barker, Allen Bolton, Patrick Briaud, Melanie Bridgeforth, Victor Brown, Chris Brown, Damian Carson, Kelly Caruso, Curt Carver, Taylor Clark, Antiqua Cleggett, Kenneth Coleman, Anthony Marcelous Cook, Isaac Cooper, Chelsea Crawford, Andy Crouse, Bob Dickerson, Tene Dolphin, Gigi Douban, Jeremy Duckworth, Kim Evans, Sue Feldman, Matt Fitzerald, David Fleming, Mona Fouad, Miller Girvin, Brandon Glover, Nancy Goedecke, Mike Goodrich, Deon Gordon, Jim Gorrie, Dave Gray, Jay Grinney, Brian Hamilton, Donald Hess, Danielle Hines, Ivan Holloway, Chuck Holmes, Kim Holt Cochran, Matt Hottle, Coreata Houser, Kim Jackson, Waymond Jackson, Gregory Jones, Stacey Kelpke, Mike Kemp, Haley Kendrick, Kendra Key, Devon Laney, Drew Langloh, Bruce Lanier, Toni Leeth, Rashada Leroy, Alycia Levels-Moore, Dick Marchese, Matt Might, Mickey Millsap, Ray Morris, Amelia Muller, Saksham Narang, Kathy Nugent, Jon Nugent, Shegun Otulana, Buddy Palmer, Greg Parsons, Scott Pierce, Greg Ratliff, Guin Robinson, Isabel Rubio, Del Smith, Jacob Smith, Wade Smith, Britney Summerville, Arnar Thors, Selwyn Vickers, Perry Ward, Ty West, Tiffany Whitlow, Cathy Wright, Whitney Wright, Connie Yowell, and Ralph Zottola.

We also want to thank our Brookings colleagues Amy Liu, Alan Berube, Mark Muro, Martha Ross, Jennifer S. Vey, Andre Perry, and Nicole Bateman for their advice and counsel, and Michael Gaynor, David Lanham, and Luisa Zottis for communications, editing, and design support. Special thanks to Brad Whitehead and Aram Nerpouni for their guidance on this project.

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