



Economic diversity & lessons for economic development practice

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DIVERSIFYING APPALACHIA: METRICS, TOOLS, STRATEGIES & GUIDES



**APPALACHIAN
REGIONAL
COMMISSION**

Research project
commissioned, 2012

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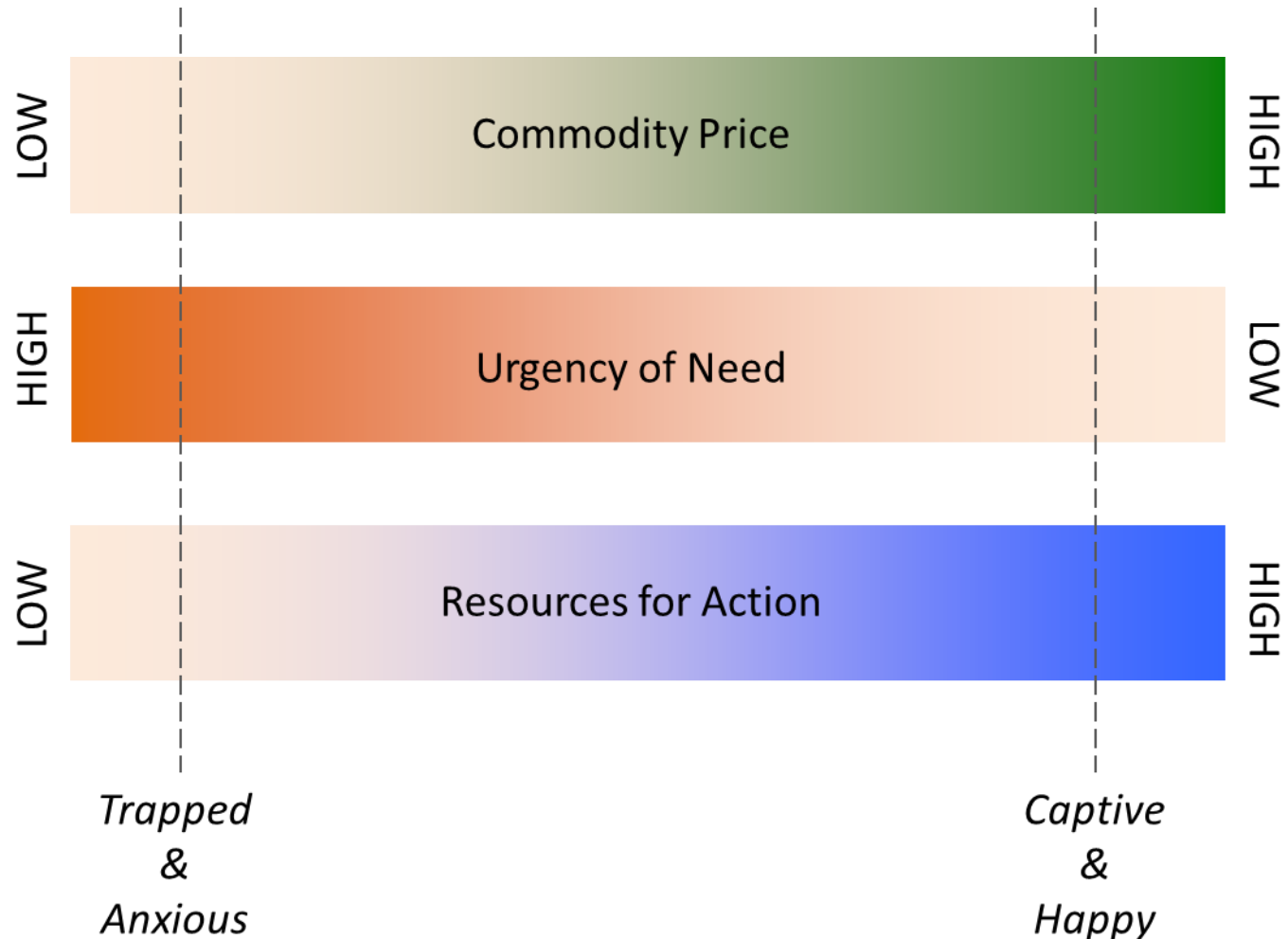
Agenda

- **Economic diversity and the staple trap**
- **Economic diversity in the region**
- **Strategic approaches to diversification**
- **Takeaways for development practice**

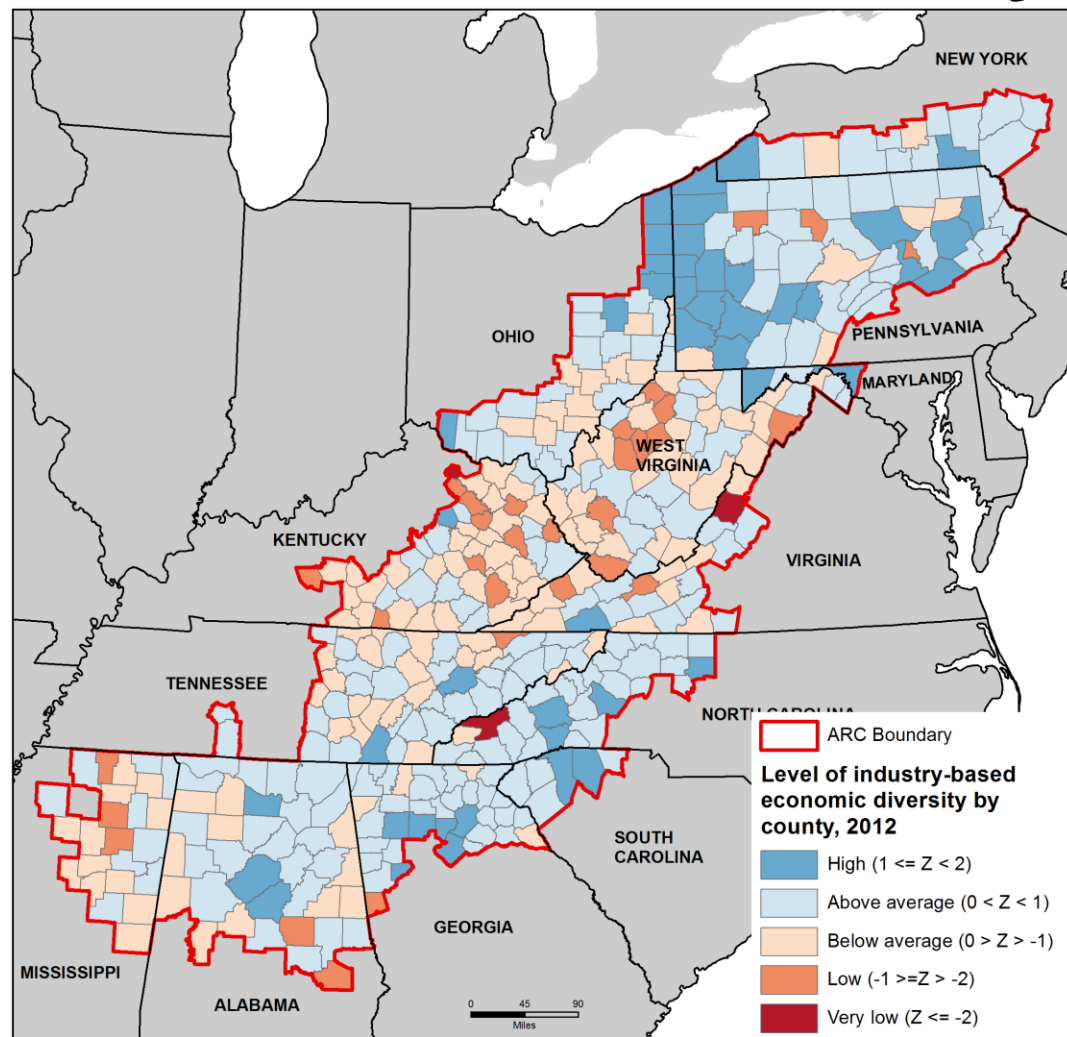
The case for economic diversity

- **Stability**
Weather economic cycles
- **Growth**
Support long-term economic development
- **Dangers of overspecialization or wrong specialization**
 - Concentration limits adaptability
 - Extractive economies prone to boom-bust cycle

Illustrating the “staple trap”



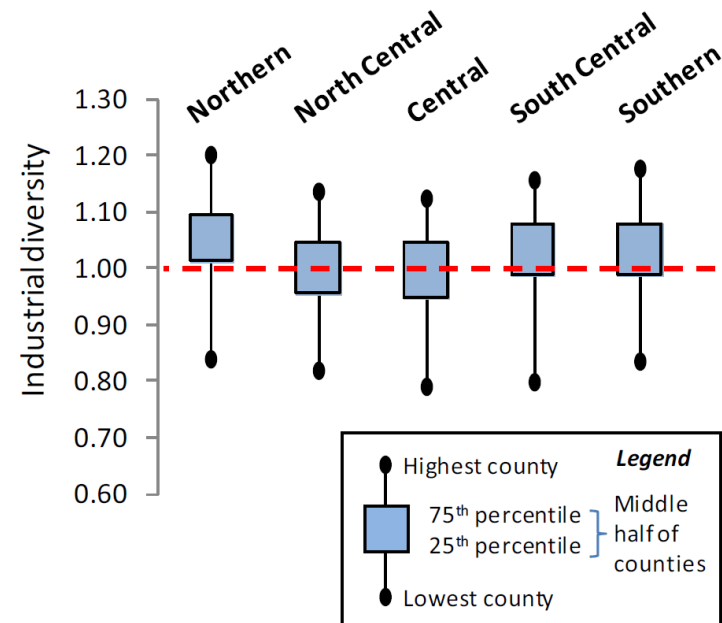
Economic diversity in the region



Industry-based Economic Diversity in Appalachian Counties, 2012.

Data Source: Estimated complete county employment by industry, Economic Modeling Specialists International (EMSI), 2012.

Notes: 1. Entropy calculated at 6-digit NAICS aggregation 2. Classifications based on standard deviations (Z) from mean



On average, distressed/at-risk counties less diverse than competitive/attainment counties

Diversification and growth

- **Types of economic diversification**
 - *Diversification by choice*
 - “New” industries and support services
 - *Diversification by force*
 - Job losses from former strengths
- **Diversification dynamics**
 - Decline often accompanies diversification
 - “New” activities often build on existing assets

Diversification strategy I: Assess your risk

- **How exposed is the community to:**
 - A few markets?
 - By type, location, customer
 - A few technologies?
 - A few skill sets?
- **Understanding risk requires micro—business by business—and macro analysis (county and region)**



Diversification strategy II: Capture opportunities

- **Understand local economic assets as:**
 - ***What...***a place makes: Its goods & services
 - ***How...***a place makes things
 - Its workforce skills & competencies
 - Its technologies
 - ***Why...***it has the economic activity it does
 - Its legacies
 - Its markets
 - ***Where...***it connects with
 - Regionally, nationally & internationally



Takeaways for economic development practice

- 1. Implement diversification by choice; mitigate diversification by force**
- 2. Extract value from cyclical booms through conscious investment in regional assets**

Industry Diversity

Function Diversity

Occupation Diversity

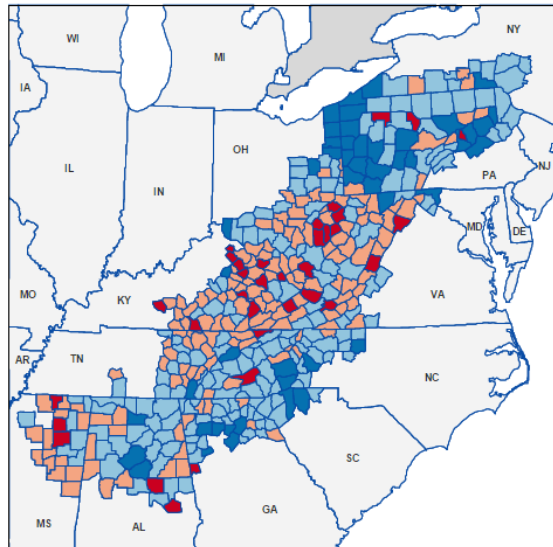
The map shows the level of industry diversity for counties. Industry diversity measures the number of industry types in a region and the evenness of employment across a maximum of 1,110 industry types that employ a region's residents. [More info...](#)

Low Diversity

Implies employment concentrated in only a few industries.

High Diversity

Implies employment distributed relatively evenly across many industries.



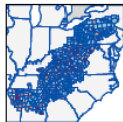
Low Below Average Above Average High

Filter the Map Data

County Character	Economic Status, FY 2013
All	All
Rural	Distressed
Mixed Rur	At-Risk
	Transitional

Choose Your Map

Appalachia



Pick a State



OR

Ohio County, WV**Key Facts**

County Character: Mixed Urban
Appalachian Economic Status, FY 2013: Transitional

Population

2012 Estimate: 44,075
Annual Growth (2009–2012):
Ohio County: 0.0%
West Virginia: 0.6%
National: 0.7%

Employment

2012: 34,384
Annual Growth (2009–2012):
Ohio County: 0.2%
West Virginia: 0.7%
National: 1.0%

Average Earnings per Job (2012):

Ohio County: \$38,716
West Virginia: \$42,622
National: \$49,468

The largest relative concentration of employment in Ohio County, compared to national concentration levels, is based in **healthcare**.

Ohio County has an **above average** level of **employment diversity**.

[View Detailed County Profile](#)

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