

# Local economy indicators coming next year

In 2020, UMCES entered into a long-term partnership with Council Fire, a global management consultancy to develop social and economic indicators, with a focus on local economic well-being, for the Chesapeake Watershed.

Unlike most economic indicators, which tend to focus on value added (e.g., through Gross Domestic Product) or employment, these new indicators integrate five cutting-edge elements of local economic strength:

**Household Income**—Has average household income risen or fallen?

**Equality**—Has the rate of income equality increased or decreased? This compares the top 20% of income earners to the bottom 20%.

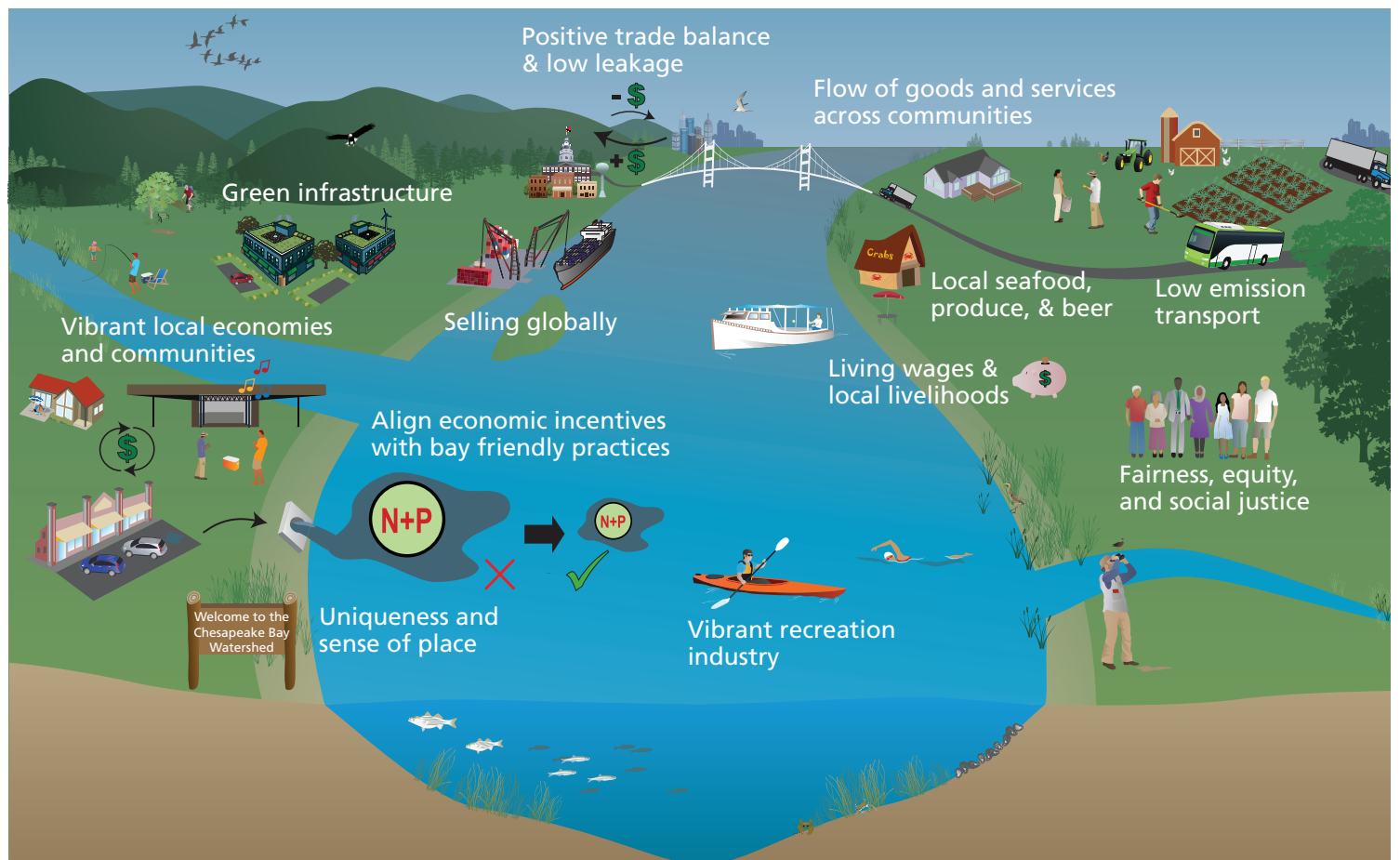
**Ownership**—Is the percentage of jobs in locally owned enterprises increasing or decreasing? This looks at the jobs in public, nonprofit, and smaller private enterprises.

**Diversification**—Are jobs spread across a wider or narrower range of sectors? This compares local diversification with national diversification and provides a rough sense of “economic leakage.”

**Entrepreneurship**—Are the number of net new jobs per capita growing or contracting? This provides a measure of local innovation, growth, and expansion.



Indicators of local economy, like local ownership of businesses, combine several facets of ecosystem, social, and economic health. Photo: Chesapeake Bay Program.



Values of local stakeholders, such as aligning economic incentives with bay friendly practices and vibrant local communities, are illustrated in this diagram of potential ways to measure economic health of the Chesapeake watershed.

# A strong local economy benefits people and communities

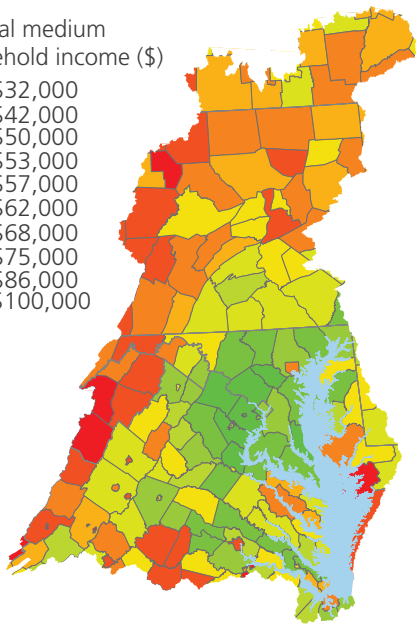
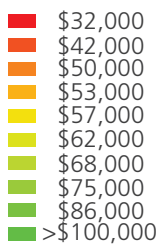
Our upcoming indicators will provide data on each of these five components of local economic health for every county in the Chesapeake watershed. This first-of-its-kind local economy index will combine all five individual economic indicators.

The five elements are derived from a growing body of research about what contributes to local economic strength. Specifically:

- Rather than look at total regional income, which can be artificially inflated by a sudden influx of people, average household income shows whether the overall economic well-being for the average household is improving.
- Adding a measure of equality also ensures that the success of those at the top of the income ladder does not come at the expense of those at the bottom.
- There is significant evidence that a higher degree of local ownership of businesses and institutions in a community is correlated with greater job growth and social stability, more equality, higher environmental performance and higher levels of voting and civic engagement.
- Economic developers increasingly acknowledge that the most successful economies are diverse and enjoy a robust base of local purchasing and investment transactions. As the base of local businesses grows, imports go down and exports rise, which improves the local balance of trade.
- Finally, an important part of a thriving economy is a strong entrepreneurial ecosystem. The more an economy can grow new enterprises, and lower rates of failure, the more dynamic it will be.

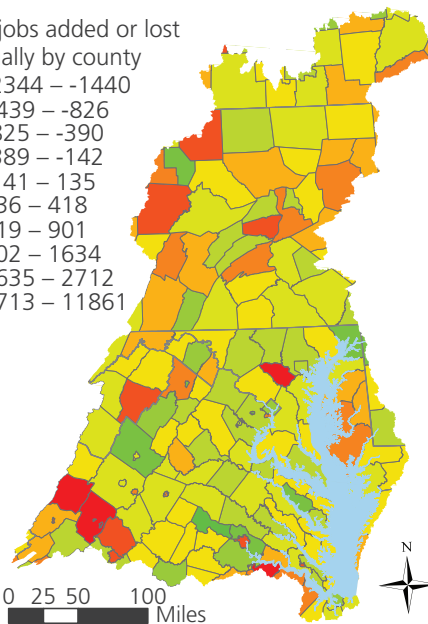
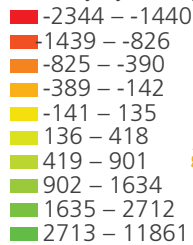
## Household Median Income

Annual medium household income (\$)



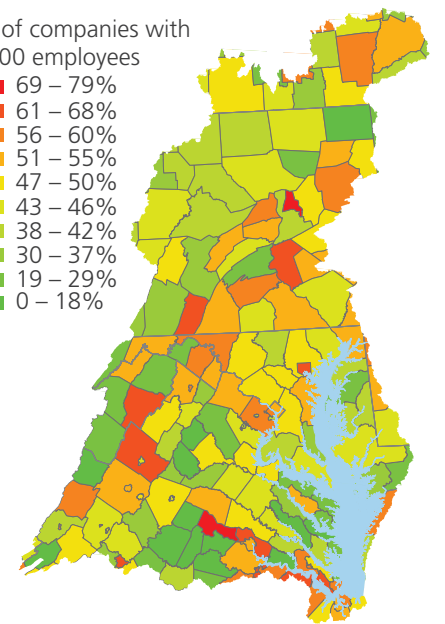
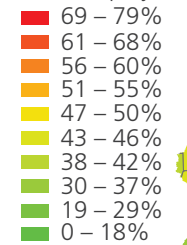
## Job Creation

# of jobs added or lost annually by county



## Entrepreneurship

% of companies with >500 employees



These maps show some of the data that could be incorporated into next year's indicators. The data is at the county level and are provided by the American Community Survey (<https://www.census.gov/programs-surveys/acs>). Data are available at regular intervals and can be assessed against previous year's information or watershed-wide averages.

Thank you to all the participants during our Economic Indicators workshop in Fall 2020. From the workshop, these broad indicators were chosen to pursue analysis. Additional indicators that were enumerated at the workshop have the potential for future inclusion in the report card. Follow up workshops and meetings will occur throughout 2021 so that these indicators can be incorporated in the 2021 Chesapeake Bay and Watershed report card.

For more information, visit [ian.umces.edu](http://ian.umces.edu) and [chesapeakebayreportcard.org](http://chesapeakebayreportcard.org).

