Strategies for Improving Economic Mobility of Workers

Spatial Mismatch: The Chicago Story

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I. The Chicago Region
Cities and Villages of the Region
II. Chicago Metropolis 2020

Created by The Commercial Club of Chicago

– Four central ideas:
  ▪ It’s the region that matters
  ▪ We want to attract investment
  ▪ We want to attract people
  ▪ Everyone must benefit

– We are a project, not an institution
What inspires us to act?

- The European Union
- Bill Gates
- Detroit
- The world is FLAT
- INTEL
What Inspires Us to Act?
III. “The Jobs Housing Mismatch”

What is it?

Unequal access to jobs, retail services, good schools, and public services.

“Location is destiny”

A more polite way to describe segregation
III. “The Jobs Housing Mismatch”

A. Framing the Issue

- A social equity issue
- A transportation issue
- A business/regional economy issue
The Metropolis Plan:
REGION AND BUSINESSES ARE ECONOMICALLY IMPACTED BY CONCENTRATED POVERTY AND JOBS-HOUSING MISMATCH

**Business/ direct costs**

Higher recruiting, turnover and training costs

Lower productivity
  - Absenteeism
  - Distractions

Higher wages and subsidies
  - To compensate for opportunity costs/actual costs of transportation / commuting

**Societal/ indirect costs**

Societal costs
  - Distressed communities have increased social services needs
  - Infrastructure
  - Transportation/congestion

Region’s economic interdependence: underdeveloped economic potential
  - Distressed area impact
  - Income multiplier effect throughout overall region
  - Slowing overall regional growth

Impact of and concern about mismatch varies by industry, job type and location within region
FOR IMPACTED COMPANIES, MISMATCH COSTS ~$200-$300M ANNUALLY IN TURNOVER, PRODUCTIVITY AND WAGE IMPACT  
South/West Side and Local Lake County Mismatch Costs Are Not Insignificant

### Increased turnover will affect employers’ bottom line

- In addition to traditional instigators, some turnover is prompted by lengthy commutes, poor/unreliable transportation alternatives and associated problems (e.g., childcare)

- Low wages are not enough to induce employees to stay despite obstacles

- Estimated cost of turnover is ~$50-100M annually

### Companies will be hampered by decreased productivity

- Productivity of long-commute employees is reduced by personal issues and commuting-related distractions that are exacerbated by mismatch

- Estimated cost of reduced productivity is ~$20-50M annually

### Employers will ultimately pay for commuting difficulties

- Some employees must shoulder expenses associated with commuting: cost of time, transit costs, additional childcare, etc. In order to attract workers, companies must compensate them for these costs

- Estimated annual wage increase is ~$130-150M or ~$0.50-0.60/hour

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- “At least half of our turnover is caused by the long commute."
- “A regular comment during exit interviews is ‘I found a job closer to home’ or ‘The commute was too bad.’”
- “Most of our turnover occurs during the probationary period. Attendance is the biggest issue.”

- “Some of our attendance problems are due to personal health, childcare issues or their child’s health.”
- “All the stress of commuting does impact productivity.”
- “My workers are more willing to give me extra time on the weekends because they are 15 minutes away instead of one hour.”

- “Branches that have a harder time finding workers pay an additional $0.50/hour.”
- “We can’t pool from the city, where they’re available and cheaper, because they can’t get here. So, we pay a premium.”
- “We pay $2.00/hour extra to get people from city to commute out here to cover their additional costs.”

Source: BCG analysis, market interviews
III. “The Jobs Housing Mismatch”

C. Action

- The Metropolis Principles
- State Housing Plan
- New Regional Planning Agency
- Location Matters
The Metropolis Principles

In making decisions relating to the expansion of an existing facility or the location of a new facility in a given community, an employer will give substantial weight to:

Whether a community has zoning, building and land use policies that allow the construction of housing which is affordable to working people.

Whether a community is served by reliable and accessible mass transit, especially mass transit near work sites.
“Thinking regionally is good business”
Chicago Sun-Times

“Employers putting premium on housing and transit for their employees is welcome.”
Daily Southtown

“Firms say housing a priority: Business group to tackle lack of affordable homes”
Chicago Tribune
State Housing Plan

- First housing plan in the State’s history
- The State Senate and House have, for the first time, established permanent committees
- State’s housing finance authority has gone from a passive bank to an agency with an agenda
New Regional Planning Agency

- New agency called Chicago Metropolitan Agency for Planning, combines the region’s MPO with its planning agency
- A contentious battle
- Finally a public agency that may be able to deal with the “jobs-housing mismatch”
Location Matters

- State’s Department of Commerce & Economic Opportunity authorized to give additional tax credits to firms that invest near affordable housing and mass transit
- The State is following “The Metropolis Principles”