

Data for Economic Analysis in the USA

Insights from the International Economic Development Council

Summary

This paper provides insights into recent work by the International Economic Development Council (IEDC) into data standards and accessibility for economic development professionals in the USA (IEDC 2014, 2016).

The paper provides insights into:

- The most important types of data sought by economic development professionals; and,
- The common sources of these data and the adoption of new types of data.

Findings

As part of its on-going commitment to its members, the IEDC has sustained a focus on the data needs and standards that are relevant to its members. In 2002 the IEDC produced data standards for use in economic development, with such standards ensuring consistency and accuracy in the use of data and the conduct of analysis.

In 2014 the IEDC examined the use of metrics amongst economic development organizations and the ways in which they drive greater success. It argued there are four variables that have emerged as key measures of economic development achievement:

- job creation;
- capital investment;
- changes in the tax base; and,
- personal income.

The IEDC concluded that both measuring achievement and reporting on those achievements have a positive impact on overall success. It acknowledges four types of measure as important:

- inputs;
- activities;
- outputs; and
- outcomes.

It also noted the ‘balanced scorecard’ method of assessing performance, where a balanced scorecard is a management tool used monitor the implementation of a strategy. Relevant data is inevitably needed to populate this scorecard on an ongoing basis.

The IEDC surveyed its members and found that amongst US economic development organisations:

- Over 30 per cent of respondents did not measure performance regularly;
- The presence of a strategic plan determined whether an organization measures performance;
- ‘We live by jobs, we die by jobs, and that is a problem’ (International Economic Development Council 2014, p.8); and,
- Performance measurement carries organizational risk – and may be difficult because of data inadequacies.

The report concluded metrics could be divided into segments, which can then be developed as a menu of options for individual agencies. These were:

- An internal segment that assesses the processes that allow the organization to conduct its business;
- An economic development program support segment – such as business attraction or technology and innovation promotion;
- A relationship management segment; and,
- A community segment.

The IEDC (2014) identified several emerging approaches to performance evaluation within economic development organizations, and these included:

- **Relationship building**, focusing on creating long-term relationships with metrics tailored to capture how each party perceives the relationship;
- **Capacity building** which is centered on the commitment, skill set and resources within a community – seeking to measure its resilience and adaptability;
- **Customer satisfaction** is measured by how the target audience views the relevance and helpfulness of an economic development agency;
- The **ratio of effort to results approach**, which measures the efficiency of an enterprise by calculating its marginal benefits and costs;
- **Social return on investment (SROI)** approaches, which quantify the social impacts of economic development actions by considering the outcomes that would have emerged in their absence;
- **Program sustainability approaches** consider the ability to leverage resources over an extended period;
- **Environmental costs and benefit analysis**, which quantifies the impacts on environmental quality and public health;
- The **growth of powerful networks perspective** quantifies the growth in the breadth and depth of economic development networks; and,
- **Progress in open source collaborations** measures the extent to which an organization’s efforts foster the growth of grassroots engagement with economic development initiatives.

The report examined why some organizations do not track their performance. Some did not because there was disagreement over metrics and they lacked the resources – cash and staff time – to engage in effective performance measurement. Other impediments included uncertainty over which metrics were appropriate – or even usable – and concerns that key stakeholders may not fully understand the outcomes. They acknowledged that many drivers of local growth are outside the sphere of influence of local economic developers, and therefore they were reluctant to measure something they could not control or substantially shape. The simple absence of appropriate data was a factor behind some agencies not track performance, while others felt that many development outcomes simply cannot be measured through quantitative indicators.

The IEDC has also found that the data needs of users within economic development in the US are changing rapidly, through developments in open data, mobile data and big data, which have all increased access to and availability of information. As discussed in *Globalization, Planning and Local Economic Development*: Chapter 5, economic development practitioners often provide information to specialist site selection firms that are hired by major corporates to give them advice on where new branch plants, transport hubs and other facilities should be located. The IEDC's 2002 Data Standards provided a standardised format for providing that data. Since 2002 other data has become available.

Over the past two decades the US has seen growth in open data, with more state and Federal agencies making administrative data sets available. The IEDC (2016) found 11 per cent of economic development agencies in the US now make their own data available to others.

The IEDC (2016) open and big data offer a doorway to automated data collection, but such mechanisms can mislead users because of data errors, partial information or other gaps. The IEDC (2016) concluded economic developers will need to continue to transform and actively analyse these data sources.

The data most commonly sought by site selection agencies from economic developers in the US includes:

- labour regulation;
- employment by industry;
- taxes and incentives at the site;
- business revenues;
- building regulation;
- employers;
- demographics;
- higher education; and
- natural disasters.

And the most important data sources for economic development practitioners in the US are Federal government agencies (with 62% describing it as critical), local government, state government and paid software sources. Over 80% of local economic development agencies noted they collected primary data in some form, including business visits, email or phone-based surveys, and on-line polls (IEDC 2016).

Overall, the IEDC (2016) concluded that:

- There is considerable scope for further innovation with respect to the use of big data and open data in the economic development profession. Where there has been progress it has been in accessing open data from other government agencies.
- Economic development practitioners are most concerned to have data available to help in attracting new investment from outside the region.
- Third party providers – including Federal agencies – are an essential part of the data ecosystem for economic development in the US.

Further Information

International Economic Development Council 2002 *A New Standard: Achieving Data Excellence in Economic Development*, IECD, Washington.,

International Economic Development Council 2014, *Making it Count: Metrics for High Performing EDOs*, IECD, Washinton.

International Economic Development Council 2016, *A New Standard: Achieving Data Excellence in Economic Development*, IEDC, Washinton.