

# Understanding Community Economies

CDILA Session 1

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# Learning Outcomes

- Interpret demographic, occupational, & industry data
- Understand the importance of correctly analyzing economic data
- Examine multiplier effects and various rounds of economic activity
- Discern proper data sources and understand what data needs to be collected

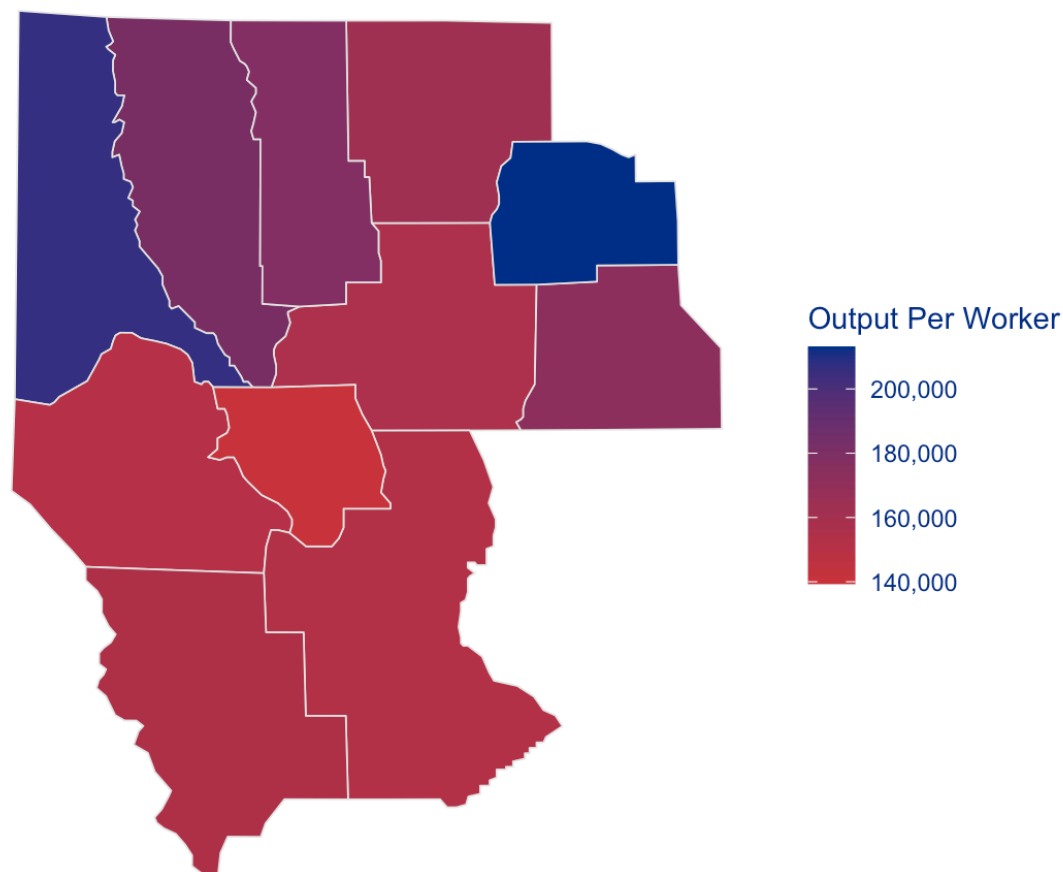
# Where I wish the Book Started

Cross section vs time series:

- Cross section data are one or more variables for the same individuals
- Time series data are the same variable repeated over many periods of time
- Sometimes cross section data are static points of a larger time series
  - Caution is urged to ensure past patterns are not overlooked

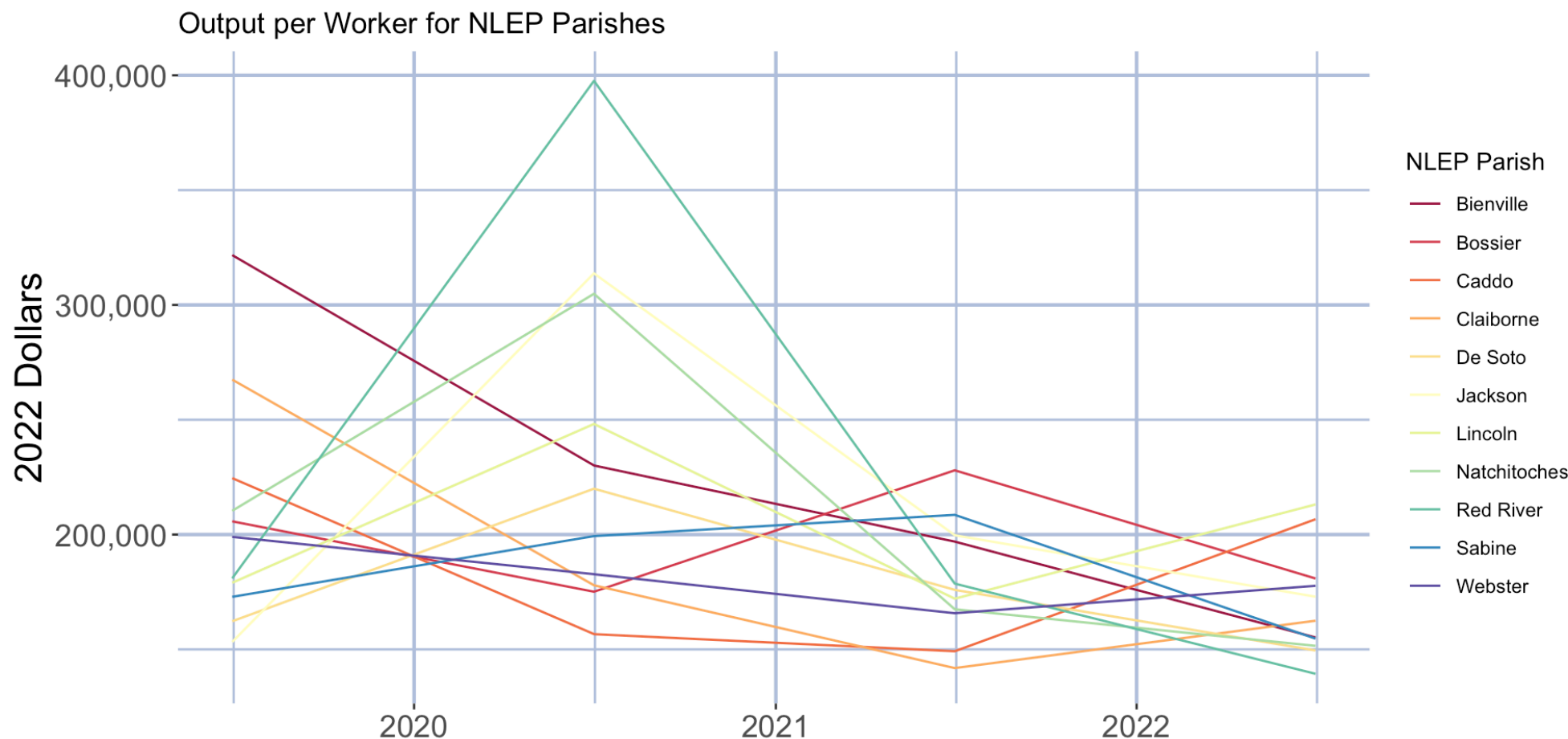
# Cross Section Data

Output per worker in all NLEP parishes



# Time Series Data

This same data over time tells a different story



# Demographic Data

What the book covers:

- Decennial Census of Population and Housing
  - Detailed estimates of populations, income, demographics, etc
- American Community Survey
  - Micro level community data, most of which is geo-located
  - Income, employment status, social benefits, educational attainment, etc

# Demographic Data

What the book does not cover:

- Bureau of Economic Analysis
  - Country, metro, and local area data
- Housing and Urban Development
  - Office of Policy Development & Research
  - Many housing survey data sets on program efficacy
- Bureau of Labor Statistics
  - Current Population Survey
  - National Longitudinal Surveys

# Occupation & Industry Data

- Most of our occupational data conforms to the Standard Occupation Classification (SOC) System
  - Occupations grouped by skills and employee activities
  - Provides median hourly and annual mean wages by occupation for an area
- Employment (most of which comes from the Current Population Survey)
- Commuting Patterns - which is a big part of MSA designations - On the Map



# Location Quotients - Employment

- Location quotients are a simple calculation that packs a lot of information punch
- LQs are based on two regions: a smaller test region and broader reference region

$$\text{Quotient} = \frac{\frac{\text{Regional Industry Employment}}{\text{Total Regional Employment}}}{\frac{\text{Reference Industry Employment}}{\text{Total Reference Employment}}}$$

- When the test region ratio is similar to the reference region ratio, the LQ  $\rightarrow 1$

# Location Quotients - In Practice

- LQs  $< 1$  imply under-development in that area,  $> 1$  over-development
- You are not limited to just employment
- Other examples include wages, industry output, property tax revenues, etc
- Clever use of multiple LQs for a study can really shed light on what is happening in a region for a specific industry

# Employment and Wage LQs

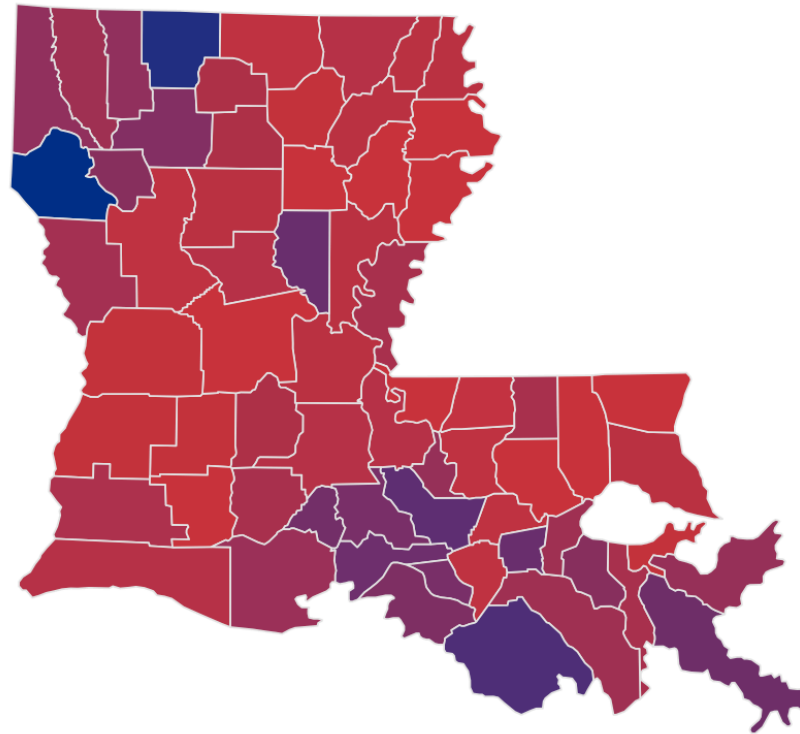
## Location Quotients to Labor Market Dynamics

Emp. LQ	Wage LQ	Relative Demand	Relative Supply
Low (<1)	Low (<1)	Low	High
Low (<1)	High (>1)	Low	Low
High (>1)	Low (<1)	High	High
High (>1)	High (>1)	High	Low

- Example: Banking sector in Caldwell Parish

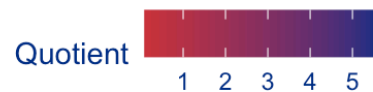
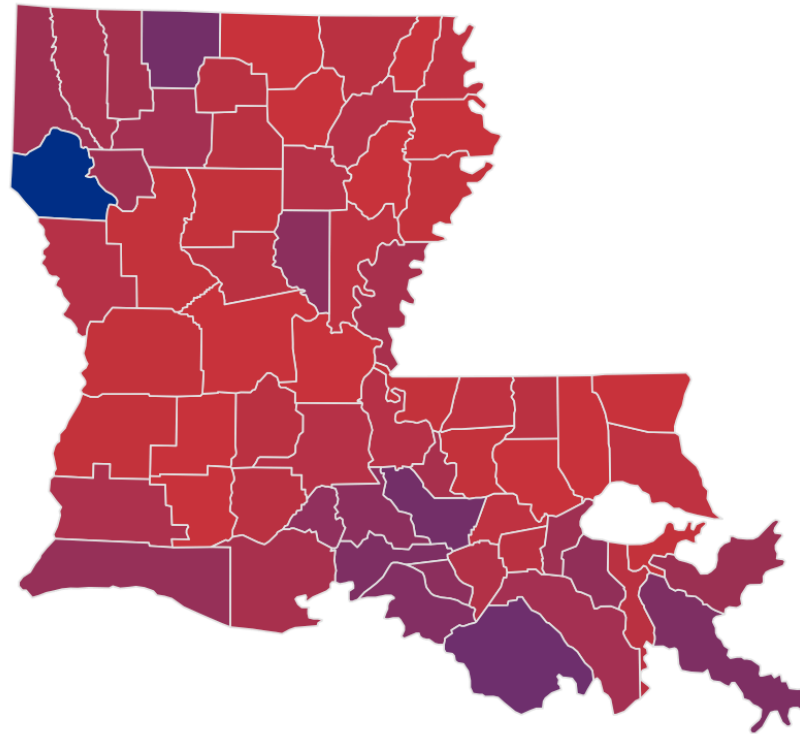
# Location Quotients May not be Stable

Oil Industry Employment LQ - 2019



# Location Quotients May not be Stable

Oil Industry Employment LQ - 2022



# Economic Events

- Broadly speaking each economic event (business opening and closing, natural disaster, tourism, infrastructure project, etc) creates ripple effects in the regional economy
- There are numerous theories that may dictate how one approaches estimating an economic effect
- The total economic impact of an event is governed by three types of impacts; **direct**, **indirect** and **induced**
- In some cases, the direct or initial effect can be different from one another, but in most practical cases they are not

# Economic Multipliers

- There are two commonly seen multipliers; Type-1 & Type SAM
- Type SAM are the most common today:

$$\text{Type SAM} = \frac{\text{Direct} + \text{Indirect} + \text{Induced Effects}}{\text{Direct Effect}}$$

- Type-I are the older standard:

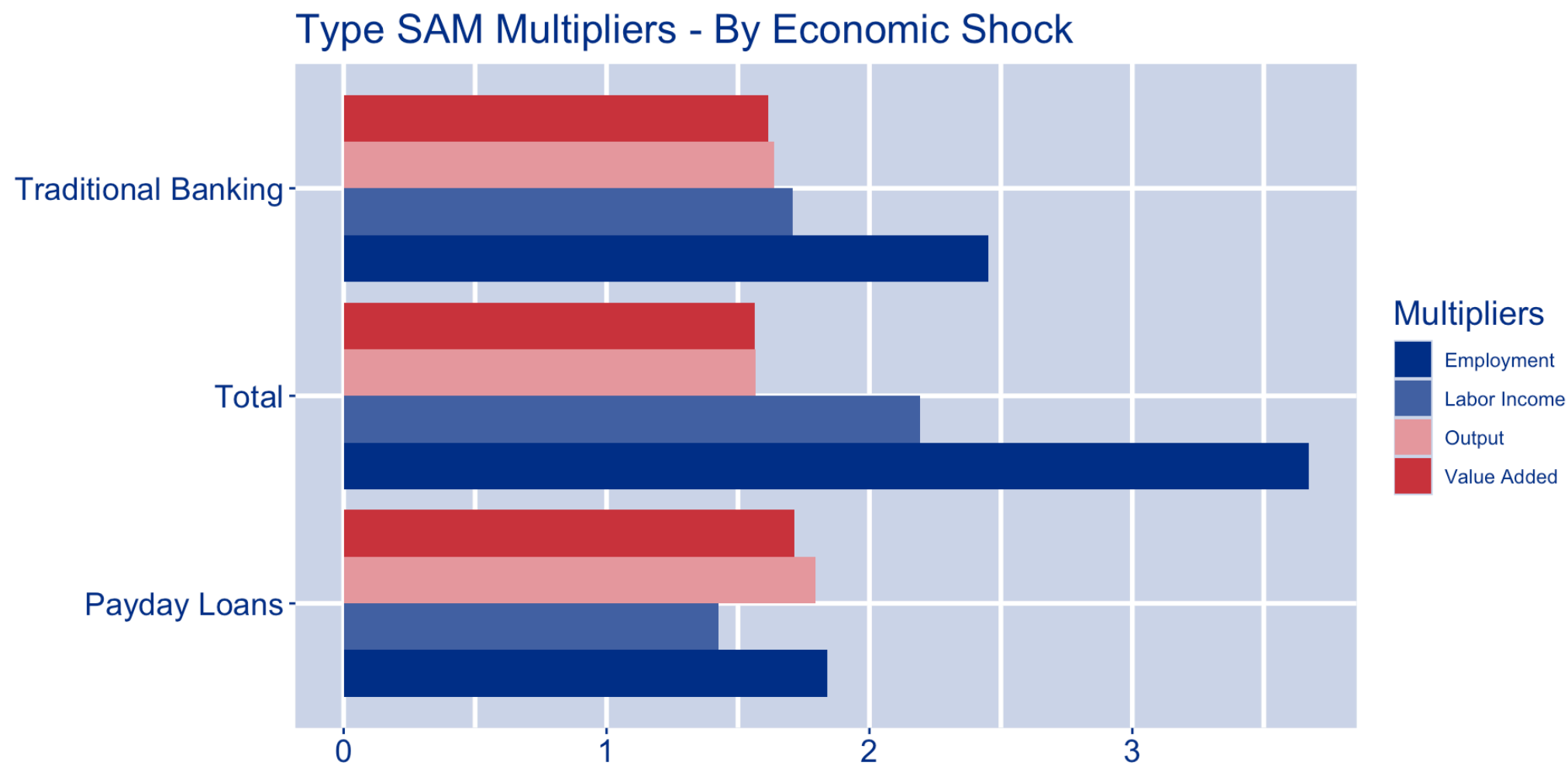
$$\text{Type I} = \frac{\text{Direct} + \text{Indirect Effects}}{\text{Direct Effect}}$$

# The Economic Impact Payday Lending Regulation

- The direct effect is based on a legislative ban of payday lending (excluding cash advance type transactions)
- This creates a reduction in welfare for some, but also forces marginally credit-worthy individuals into traditional financial intermediation channels
- An estimated 26% of payday lending financial capital would migrate to banks and credit unions
- The direct effect is the net of two changes (one positive and one negative)



# The Economic Impact Payday Lending Regulation



# Sources of Reliable Data

- Federal Agencies
  - Census Bureau
  - Bureau of Economic Analysis
  - Bureau of Labor Statistics
  - FDIC
  - Federal Reserve Economic Database
- Regional/State Agencies

# Sources of Reliable Data

- Local Agencies
  - Chambers of Commerce
  - EDOs
- University Research Centers
  - LA Tech, Center for Economic Research
- Private Sector Services
  - Council for Community and Economic Research
  - Economic Modeling Specialists
  - Environmental Services Research Institute

# Contact Information

Email, call, or text anytime

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