

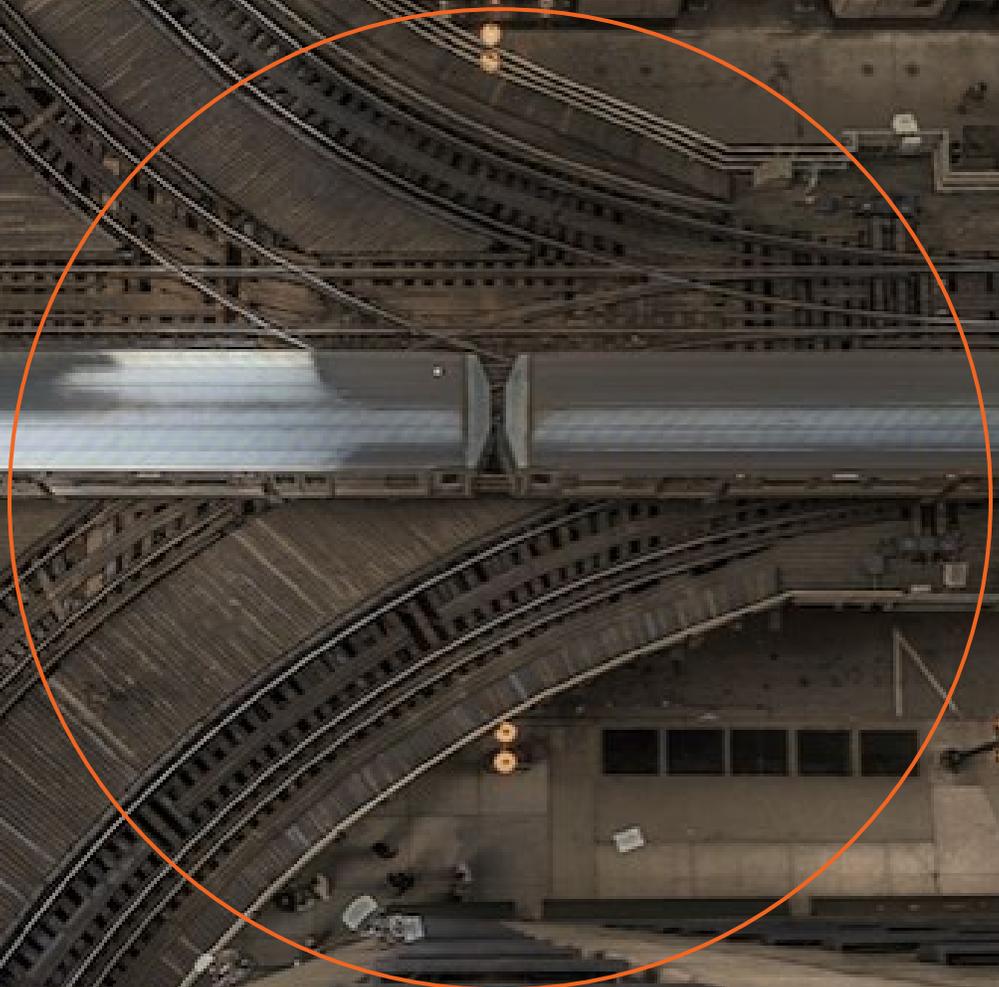


Center
for Inclusive
Growth

Identifying opportunities to advance economic mobility in US cities

A report from the front lines of inclusive growth

JUNE 2017



Executive summary

Economic opportunity and work are in the midst of a seismic shift in America, challenging policymakers, advocacy organizations, and the public and private sectors to create better pathways for inclusive growth. Employment and its associated benefits are evolving rapidly, new work skills are in demand, living costs are on the rise in many cities and incomes are more volatile. Poverty is expanding to the suburbs, the middle class is shrinking and nearly one-third of the US population—more than 100 million people—lives at or below 200% of the poverty line.¹

Too many Americans remain disconnected from the vital networks and resources they need to thrive in today's economy: information, technology, financial services, education, transportation and affordable housing, among others.

Yet with these challenges also comes a transformative opportunity for business, government and civil society to work together to deliver solutions that advance inclusive growth—a process that ensures the benefits of an expanding economy extend to all segments of society. With increasingly diverse populations, cities and their surrounding metro areas are ground zero for innovation and economic growth, presenting new avenues for inclusion and economic mobility.

Last fall, the Mastercard Center for Inclusive Growth launched "*On the Front Lines of Inclusive Growth*," a series of community roundtable discussions and panels in seven cities to identify how we can better use our assets to support economic mobility. We partnered with the Beeck Center for Social Impact at Georgetown University, DataKind and local organizations to host public events during the visits.

During in-depth conversations in Atlanta, Chicago, Columbus, New York, Oakland, St. Louis and Washington, D.C. from October 2016 to April 2017, the civic leaders we spoke with emphasized the critical role of the private sector in helping to build a more inclusive economy. The private sector can contribute its assets, expertise and ability to respond quickly to arising issues.

This report is intended to share what we learned and highlight five major areas of opportunity for action:



Bring grassroots innovation to scale



Prepare people for the jobs of tomorrow



Unlock the power of data for social impact



Connect economic mobility to urban mobility



Enable more stability for gig economy workers

The Mastercard Center for Inclusive Growth is committed to using our expertise, data, technology and philanthropic investments to help expand opportunity and drive equitable growth.

Advancing inclusive growth in the United States

In America today, only one-half of US children born in the 1980s will have a higher standard of living than their parents.² The reasons for the decline in opportunity are many, but they start with a lack of inclusive growth. Not everyone is benefiting equitably from the economy. This is particularly true for communities of color, women, people with disabilities and veterans.

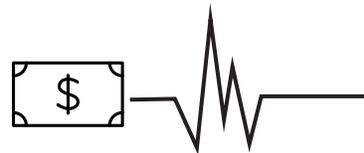
America's middle is hollowing out.



The middle class is shrinking.

Middle-tier jobs as a share of total US employment have **declined 7 percentage** points since the 1980s, while **low-skilled and high-skilled jobs have both grown about 3 percentage** points.³

Incomes are volatile.



During the 2000s, one in ten Americans experienced a **50 percent drop** in their income over the course of a year, which is nearly double the rate it was 30 years ago.⁴ At the same time, income volatility has diminished Americans' ability to save.

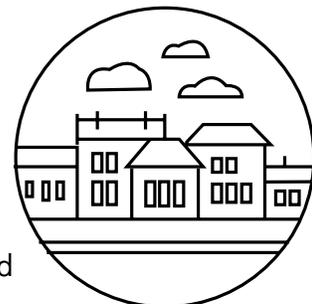
In 2015, one in three American families had no savings at all.⁵



Poverty is spreading.

Although poverty persists in cities, it is growing fastest in the suburbs.

The poor population living in suburbs grew by 64 percent between 2000 and 2011, more than twice the rate of growth in cities.⁶ The rapid rise in suburban poverty has exacerbated disparities in access to jobs and services.



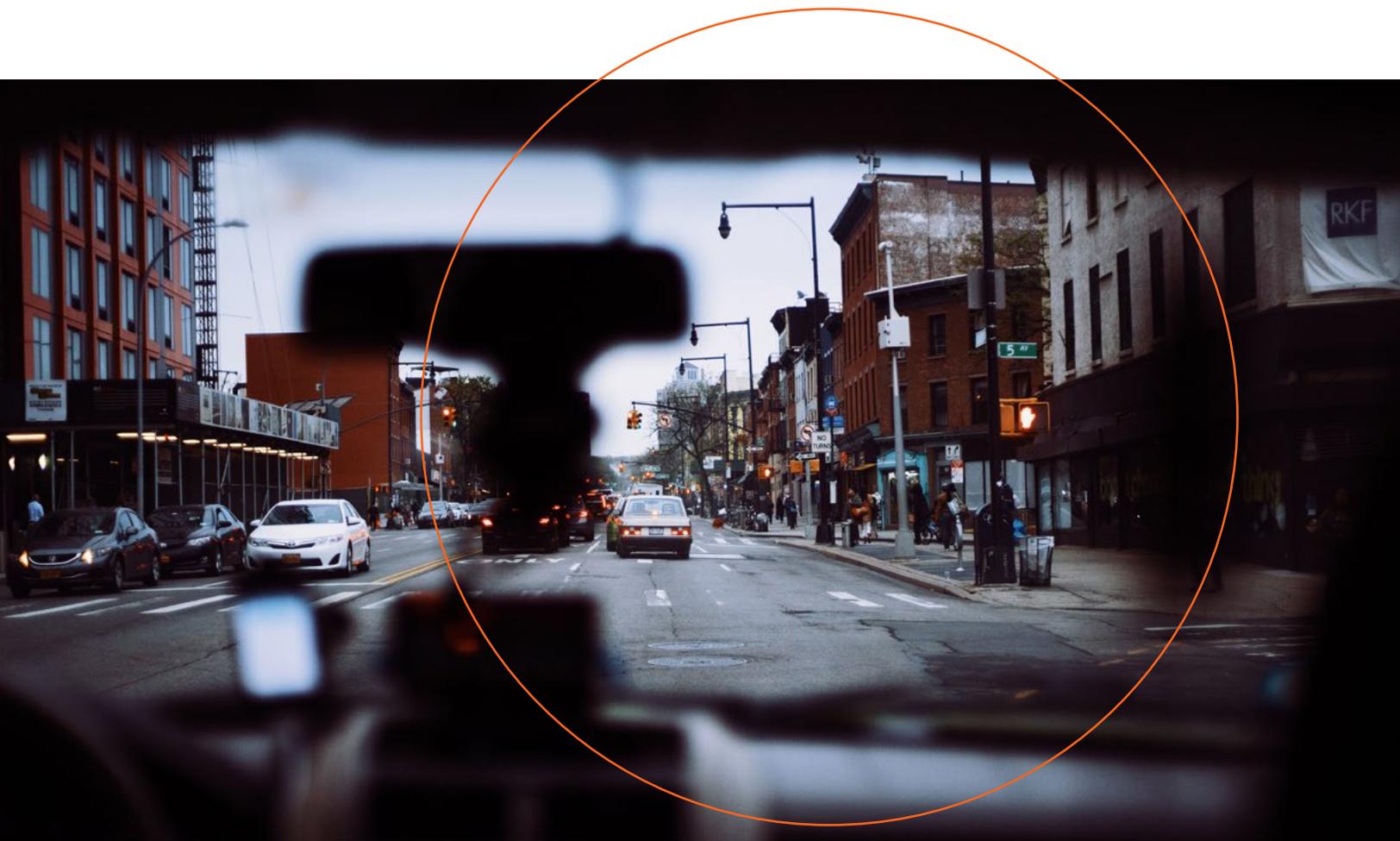
Finding new solutions to spur inclusive growth

These challenges present an urgent need for business, government and civil society to join together to find solutions that advance economic mobility. In response, the Mastercard Center for Inclusive Growth launched "*On the Front Lines of Inclusive Growth*," a national tour to better understand what the private sector can do to promote an inclusive economy.

We traveled to seven cities—Atlanta, Chicago, Columbus, New York, Oakland, St. Louis and Washington, D.C.—to meet with more than 100 businesses, nongovernmental organizations, community leaders, local residents and government officials.

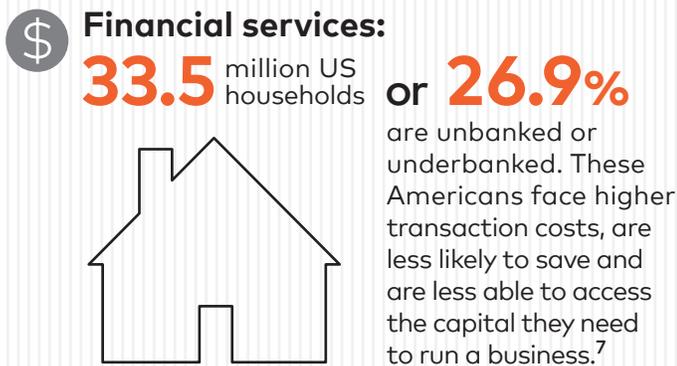
// Unless we hear from and work with individuals, advocacy organizations—the leaders really operating in their communities—it's really hard to identify answers or solutions that meet existing needs. //

Shamina Singh,
President,
Mastercard Center for Inclusive Growth

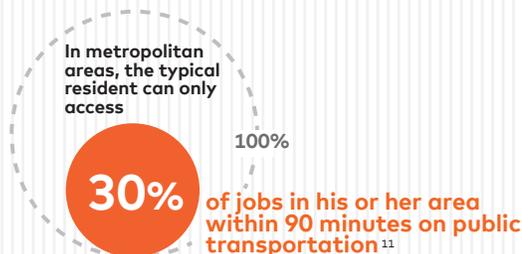
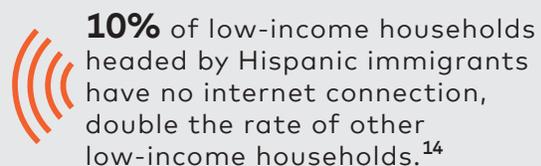
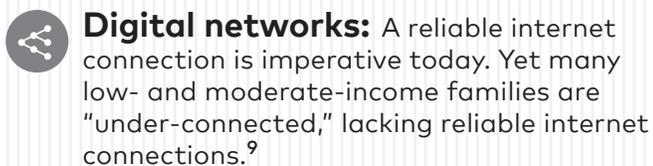
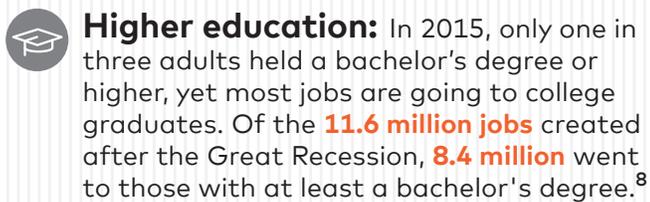
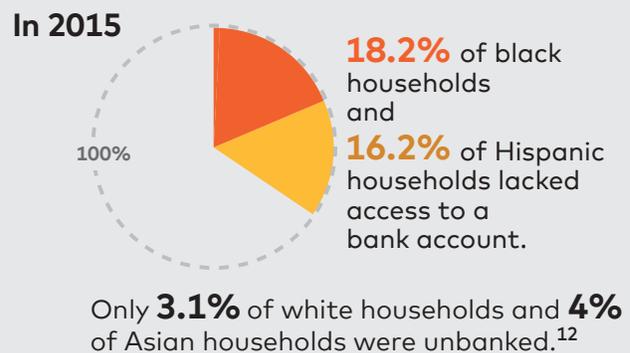


Connecting people to the networks that power the modern economy

Many Americans remain disconnected from the networks and resources they need to reach their full potential. Enhancing access to and use of networks—from financial services to transit to technology—can help them rise to and remain in the middle class.



Communities of color are particularly impacted by access disparities



Five areas of opportunity

Through our conversations around the country, we identified five areas of opportunity where the Center will work to advance economic mobility and inclusive growth in US metropolitan communities.



Bring grassroots innovation to scale

“ When we started understanding the realities of why people are not financially secure, we learned that people don’t have the basic tools to actually build their financial security—which is not having access to checking accounts, savings accounts, credit, [or] credit histories. ”

José Quiñonez,
Founder and CEO
Mission Asset Fund

Innovation is not only happening in Silicon Valley. It’s happening in communities large and small. Americans are business starters. In 2015, approximately 675,000 new businesses were launched, according to the Bureau of Labor Statistics.¹⁵ However, that entrepreneurial energy is no longer as strong as it once was. From 1998 to 2015, job creation from US startups less than a year old decreased by 36%, from 4.7 million jobs to 3 million jobs.¹⁶

Getting entrepreneurs connected to financial services, credit, mentors and other tailored services could help jumpstart productivity. The private sector particularly is poised to help entrepreneurs. It can readily explore, test and advance new ideas by leveraging its scale, networks and ability to get products into the marketplace quickly. When wielded wisely, with social good as the North Star, these private sector assets can change systems to advance inclusive growth.

Grameen America, a national microfinance organization that helps low-income women start new businesses, recently introduced a number of “fintech” innovations to expand their reach with the support of Citi and Mastercard. They have modernized their infrastructure with a cloud-based management system, allowing them to digitize their workflow. This digitization has the potential to save the organization nearly 40 hours of work per week per branch, according to a MetLife LEAN Center of Excellence study. They have also moved toward disbursing loans with digital cash via pre-paid cards, rather than by check. These cards have reduced transaction costs for members, and provided greater convenience and safety as they transition to the digital economy. The majority of entrepreneurs who join Grameen are unbanked with no credit history or a thin credit file. Upon entering the program members open a bank account and start saving; repayment of the loan helps to build and establish their credit history.

José Quiñonez, founder and CEO of Mission Asset Fund (MAF), a national organization based in San Francisco, CA, explained how his organization has created a path to mainstream financial services. MAF has developed a credit-building product, “Lending Circles,” that builds on an informal peer-to-peer lending model that has been used across cultures for generations. Quiñonez transformed a traditional practice and, by formalizing the “informal,” his organization is helping borrowers access affordable loans, build credit history, enter the banking system and be financially visible. Quiñonez was awarded a MacArthur “genius” grant in 2016 for his vision of access and economic security.



Prepare people for the jobs of tomorrow

“ The biggest thing that we’re seeing is technology and computation driving every industry... Focusing on code and computation is a way to give a girl a leg up in this economy. ”

Leah Gilliam,
Vice President of Strategy
and Education
Girls Who Code, New York

Technological advances are requiring newer skill sets while creating new jobs and displacing many workers. By 2025, artificial intelligence is expected to replace 7 percent of US jobs, according to Forrester, and some researchers predict that nearly half of all US jobs will be at risk because of automation in the next two decades.¹⁷ Entirely new job categories are emerging, from nanotechnologists to data engineers, and in other jobs, skill demands are changing. Mechanics today must learn about hybrid, electric and automated vehicles, for example.

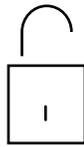
Demond Drummer, co-founder of CoderSpace in Chicago, an organization where youth learn how to code and build websites for local businesses, is also teaching another valuable skill—creative thinking. “Our students must be able to scope out a business problem with the client, interpret the client’s design into code and execute on that. These are the skills that are in demand.”

Without attention to these growing demands, growth will not be equitable. Cities like Atlanta have seen economic growth and job creation expand since the 2008 recession, but community leaders say too many residents of color are still being left behind. In 2015, the unemployment rate for African-Americans in Atlanta was 22 percent, more than three times higher than the rate for their white counterparts (6 percent) and more than twice the rate for Latinos (9 percent).¹⁸

“We’ve built an economy that is focused on attracting talent, but we’re not doing a lot about making sure that the people who are already here have a chance to benefit from the economic development that is occurring in places around our city,” said Nathaniel Smith, founder and chief equity officer of the Partnership for Southern Equity in Atlanta.

Ensuring equitable growth will require reducing inequities in education, and better alignment between educators, policymakers and employers to create a workforce pipeline that can adapt to rapid technological change, as well as new infrastructure to support lifelong learning.





Unlock the power of data for social impact

“ Data has such an important role to play in helping understand not just what patterns are today—of work and travel—but what they could be and what the economic value is of filling in some of those gaps. ”

MarySue Barrett,
President
Metropolitan Planning Council,
Chicago

Data was a common topic across all of our discussions—how to use it to unlock possibilities for social impact. Whether tracking neighborhood blight or chronic absenteeism in elementary school, data can be a tool for bringing together residents and community organizations to more directly focus their work.

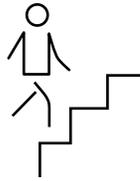
With a growing number of city governments making datasets public, civic tech leaders in New York and Chicago emphasized the importance of fostering individual and community understanding of data to better empower citizens.

“We’re starting to see that open data by itself isn’t enough. It’s a question of access, which is a question of inclusion,” said Drummer. “Who’s involved in these conversations? Who’s at the table?”

Yet to unlock the power of data, people and nonprofit organizations need to know how to understand and use it. Andrea Jung, the CEO of Grameen America, noted that many nonprofits lack the expertise and capacity to leverage and analyze their own data.

“For nonprofits,” she said, “the capacity to collect, analyze and then leverage data can be a real challenge.” But, “by working together with key stakeholders, we can address this challenge and ultimately improve services for those in need.”

Private companies, which have invested heavily in data and analytics in recent years, are in a good position to help advance inclusive growth through the practice of data philanthropy. Businesses can leverage their data capabilities in a variety of ways: they can share their own data to uncover unique insights in local communities or dedicate in-house expertise to conduct analyses for public use. Private-sector data scientists can also donate their time to develop analytics tools that help nonprofit organizations become more efficient, improve programs and expand services.



Connect economic mobility to urban mobility

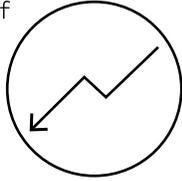
In Atlanta, the number of nearby **jobs declined** by

14.8% for the average metro resident from **2000 to 2012**

For those living in high-poverty neighborhoods the number declined by

34.4%

Source: Brookings Institution



Escaping poverty is harder for children growing up in cities with high levels of economic and racial segregation and income inequality. Research shows that the geographic isolation of low-income families, cut off from jobs and opportunity, is a key reason for the lack of upward economic mobility.¹⁹ Where you live determines your life opportunities, how long you live and how well you live.

Duriya Farooqui of the Atlanta Committee for Progress gave a poignant example of the struggles low-income families face when they live far from jobs.

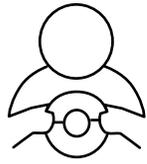
"If a single mom living in suburban Atlanta interviews for a job at Coca-Cola corporate headquarters, but she can't get child care for 13 hours because it takes two hours to get there, nine hours to work and then two hours to get back home, what does that mean for economic access? It means economic access doesn't exist for her."

Cities where residents can move easily, affordably and reliably from one place to another tend to have greater upward mobility. Studies show that the more compact a city is, the greater the chance of upward economic mobility.²⁰ Key to this connection is affordable transportation. Access to public transit makes it easier for residents to get to jobs.

Chicago's Metropolitan Planning Council (MPC) is working to connect more people to jobs. In Chicago, there are more jobs in the six-county suburban ring than there are in the city, yet transit in the suburbs is scarce. MPC tracked data on how commuters use transit to reach their jobs in various parts of the Chicago region. The analysis highlighted where the gaps are and where future transit investments could provide the greatest benefits in connecting workers to suburban jobs.

Transit-oriented development, on the other hand, brings jobs to people. MPC is part of a collaborative including the City and numerous nonprofit and philanthropic organizations that was recently awarded \$1 million in grants and access to a capital pool of \$70 million to reinvigorate neighborhoods surrounding elevated train stops.

Experts say overcoming place-based barriers to economic mobility will require not only a focus on transit but also a broader range of interventions addressing housing affordability, disparities in school quality and environmental justice issues in low-income communities.²¹



Enable more stability for gig economy workers

|| We've built a benefits system around employment. What do we do when [people are] not attached to that? ||

Althea Erickson,
Global Policy Director
Etsy

Today, approximately 35 percent of workers, or 55 million people, earn at least part of their income in the freelance and gig economy.²² Many work without benefits like health care or retirement accounts or lack regular hours and a predictable income. They must handle their own taxes, including payroll deductions, and they are responsible for their own retirement planning.

The private sector can help connect nontraditional workers with financial tools to manage income volatility, prepare taxes, develop budgets, build credit and access portable benefits.

"The innovation stretches across the savings space, the lending space and the insurance space," said Atul Kamra, managing partner at SixThirty, a St. Louis financial technology accelerator that has invested in a start-up service that helps independent workers save for tax season.

Sara Horowitz, founder and executive director of the Freelancers Union, described the need for new models of worker benefits that are not attached to employers. Freelancers Union launched the first portable benefits platform a decade ago in New York City, and now offers more than 350,000 workers health insurance, disability benefits and retirement savings. Horowitz, along with executives at companies like Lyft and Care.com, have called for the development of a flexible safety net for all workers.

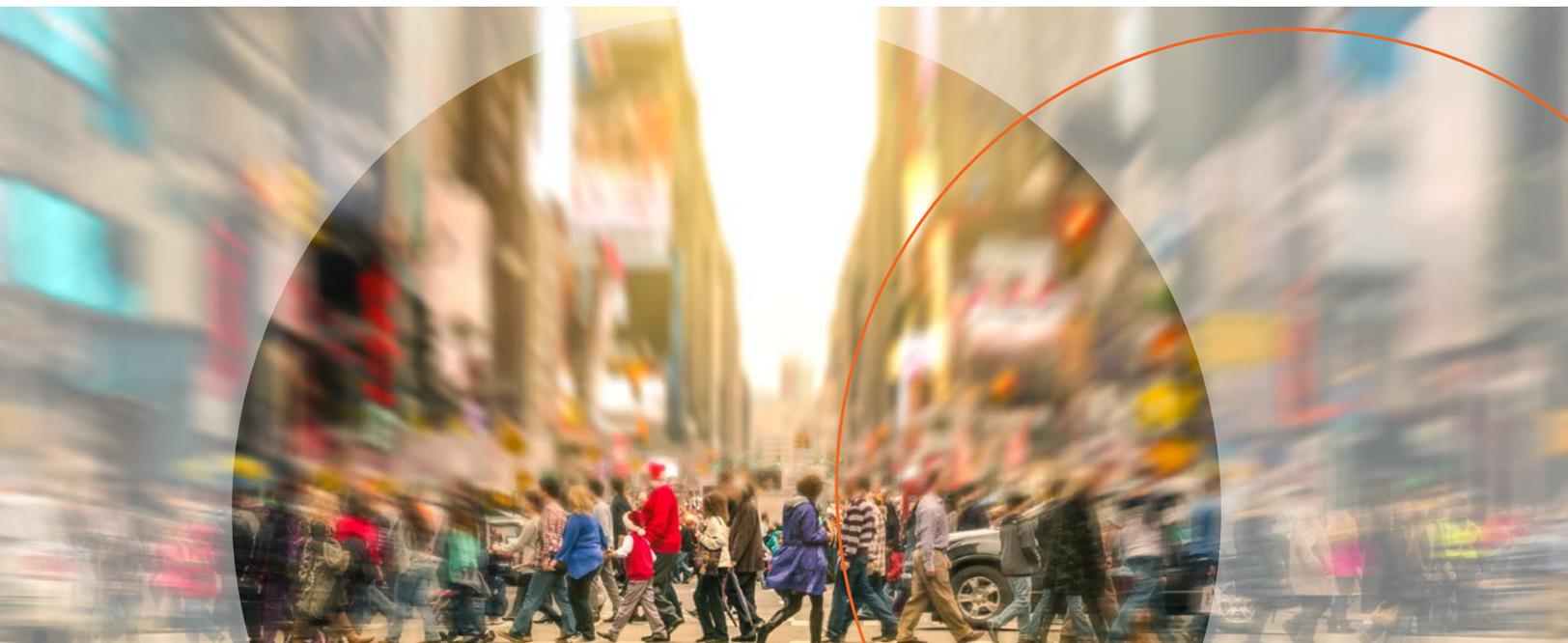
Next Steps: Inclusive Growth Programming and Support in the United States

The Mastercard Center for Inclusive Growth is committed to investing our assets and resources — expertise, data, technology and philanthropic investments— to advance inclusive growth in the United States and upward economic mobility for the growing population of over 100 million Americans who live at or below 200% of the poverty line. By partnering with our peers, startups, academics, nonprofits and local governments, we hope to uncover new and effective ways to advance sustainable and equitable growth.

Within the five major areas of opportunity we identified during our city visits, we are launching partnerships with local and national organizations to:

- Identify and overcome the workforce barriers to progress for the 100 million people in the US living near or below the poverty line in partnership with PolicyLink.
- Develop data driven insights, metrics and methodologies to measure the economic impact of equitable development with Urban Institute and others.
- Build the resiliency of small businesses to financial shocks and enable them to achieve sustainable business growth with Accion.
- Demonstrate opportunities for scale in the U.S. microfinance sector by directing investments toward infrastructure and technology with Grameen America.
- Build the data analytics capacity of nonprofit organizations to unleash the power of their data to better serve communities with DataKind and others.

In the first of two reports, we recognize the important role the private sector has to play in advancing inclusive growth in the United States. At the Center, we are investing our assets and resources as a philanthropic entity, and in a follow-up report, our business colleagues will share details on commercial solutions to better connect low- and middle-income consumers to the networks that power the modern economy.



Get Involved

Share your perspectives and stories with us, or partner with us to bring the conversation to your community.

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Beeck Center for Social Impact at
Georgetown University
beeckcenter.georgetown.edu

Center for Civic Innovation
www.civicalanta.org

Center for Civil and Human Rights
www.civilandhumanrights.org

Cortex Innovation Community
www.cortexstl.com

DataKind
www.datakind.org

Data Science for Social Good at
the University of Chicago
dssg.uchicago.edu

Economic Community
Development Institute
www.ecdi.org

Impact Lab
www.theimpactlab.co

Kapor Center for Social Impact
www.kaporcenter.org

New York Urban League
www.nyul.org

PolicyLink
www.policylink.org

Superpublic
cityinnovate.org/superpublic

The Resurrection Project
resurrectionproject.org

The Rockefeller Foundation
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Uptake
uptake.com

Urban League of Metropolitan
St. Louis
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Endnotes

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