

A CRY FOR LEADERSHIP

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Introduction

Our region has gone through a significant economic transformation in recent years. Our manufacturing base, which in the 1950s accounted for almost 40 percent of total employment, now accounts for about 20 percent. This transformation has been a result of a rapidly growing service sector, coupled with an absolute decline in manufacturing jobs over the past 15 years. And since 1980, the rate of decline in manufacturing jobs has accelerated. Whereas employment in manufacturing declined by about 50,000 during the 1970s, in the short span since 1980, approximately 90,000—or 1 out of every 3—manufacturing jobs have been lost. Half of these have been in steel and steel-related industries.

Impacts

The changes in the structure of the region's economic base have affected both people and places. The effects of declining manufacturing industries have been disproportionately borne by the municipalities and individuals heavily dependent upon steel and steel-related industries.

People

Blue collar employment has been on the decline for over 20 years, and its decline will certainly continue. As a result, many individuals who have been displaced from manufacturing industries have found that they lack the skills and perhaps even the education to find employment within the growing service sector and the emerging high technology industries. This has created a displaced worker problem which is estimated to be two

or three times as severe as that nationally. Many of those who have been displaced from manufacturing jobs will not find comparable employment in this region in the near future.

The region's unemployment rate is about 60 percent above the national average. It has risen in recent months--whereas the national rate has declined--to the point where there are fewer people employed now than a year ago. Given the severity of the unemployment situation in this region, training and retraining programs will not significantly help most of those who are unemployed--the jobs simply are not there. The major need in the region is job creation--this is essential if those who have been displaced are to be reemployed and those who are new entrants into the labor force are to be successful in gaining employment.

Places

The shifts in population and jobs which have occurred in the last decade have adversely affected the fiscal condition of many local governments in the region. This had led to the curtailment of public services in many instances and near bankruptcy for a few municipalities and school districts, Clairton being the most recent example.

The fiscal condition of the municipalities that lost population in the 1970s has deteriorated. The assessed value for these municipalities has shrunk significantly in real terms during the past decade, providing local government with a shrinking tax base from which to raise revenues. Local governments experiencing the greatest shrinkage in their tax base have responded by raising taxes at a faster rate than the others. This has compounded their problems in adjusting to a declining economic base. Their tax rates are the highest in the region, thereby providing a disincentive for businesses to remain, let alone to be attracted into these

communities. The situation in which these municipalities find themselves is difficult to reverse. A declining tax base requires higher taxes to raise the revenues to provide services and to maintain the infrastructure, but higher taxes chase businesses away and thereby further erode the tax base. Clearly, these municipalities are in the midst of a fiscal "Catch 22."

Discussion

The solution to the adverse impacts of economic change is job creation and job retention. And those twin objectives should be the top priorities for this region.

I am cautiously optimistic about the future of our region because we have a number of strengths which can be built upon, including:

- . the availability of a highly skilled workforce;
- . two major research universities--these are the key to the development of high technology industries;
- . a large number of corporate research laboratories;
- . an economic base that has diversified in recent decades--it is no longer dependent upon the health of one or two industries; in fact, employment in the steel industry is only about five percent of our total employment;
- . a manufacturing base that up until the most recent recession showed rapid employment gains in a number of advanced technology industries; there is no reason to believe this growth will not be resumed--the Pittsburgh High Technology Council recently reported that these companies anticipate an annual 20 percent growth rate

in employment for the next few years;

- a strong financial sector;
- a strong services sector;
- a number of organizations in place to help entrepreneurs and small companies come into being and grow; and
- a large number of experienced, aggressive economic development groups.

These assets bode well for the ability of the region to grow in emerging high technology industries, as well as to foster the development of new advanced technology industries and the revitalization of some existing manufacturing industries.

The Future

The primary problems confronting our region are the need for job creation and the mismatch between the benefits and the costs of the social and economic adjustments that have occurred and will continue in the years ahead. The economic and social gains will not benefit equally all of the people and places in the region. In particular, workers with low education and few skills will have an increasingly difficult time gaining employment in the high technology industries of the future or in existing service and manufacturing industries which are incorporating advanced technologies into their workplaces. In addition, the one-industry towns, particularly those heavily dependent on steel and steel-related industries, will have difficulty adjusting to the loss of their manufacturing base.

If all parts of our region are to be in a position to share in the benefits of future growth, mechanisms will have to be found to assist in the training and retraining of the workforce, and in the stabilizing and

rebuilding of the economic base of these one- and two-industry communities. If we are not successful in these endeavors, a large percentage of our workforce will become obsolete and will fall further and further behind those who are able to make the transition; and large portions of our region will lose the fiscal capacity to maintain their infrastructure and to deliver an adequate level of services to their residents. As these problems become more intractable, we, as a region, may lose the opportunity to intervene to help these groups of people and these places successfully adjust to new economic circumstances.

In order to make the most of our opportunities and to remove impediments to progress, progressive leadership from all sectors of the region is critical. Workable partnerships among all segments of the regional community—business, labor, the clergy, local government, education, minority groups, public interest groups, and the community at large—are essential if we are to be in a position to grapple with the diverse social and economic problems facing the region. Partnerships among all of the relevant groups are the key to the implementation of programs, policies, and strategies which are designed to help the region—its people and places—successfully adapt to the impacts of economic and technological change.

The key to forming partnerships is commitment on the part of all of the partners, and this requires leadership. And it is to this issue that I would like to address the balance of my remarks.

Public-Private Partnerships

Our region wrote the book on public-private partnerships 40 years ago. Under the leadership of Richard King Mellon and David Lawrence, an

alliance of the public and private sectors was forged that brought about massive change--the redevelopment of the Point and large parts of Downtown Pittsburgh, smoke control legislation, dams, expressways, and so on. These combined to fuel the growth of our region for many years.

Things have changed. A grand vision charting the future of our region is lacking; and as a result, the mechanisms required to propel us forward are deficient. WHY IS THIS SO?

The corporate climate has changed. Corporate leadership--in many cases--is not as committed to this region as in previous years. World markets have dictated investments in other regions or other countries, and insufficient attention has been directed toward finding replacement industries and strategies for our region.

The political climate has also changed. The political machine has lost its ability to dictate who holds office and for how long. And as a result, elected officials are not as secure in office as in previous years. This means that their time horizon for programs and accomplishments will be the next election. Attention spans have been foreshortened, and as a result, attention to complex problems requiring long-term solutions--such as decaying infrastructure and declining mill towns--do not receive proper consideration.

These remarks are not meant to condemn actions of corporations or elected officials, but merely to point out that the problem-solving framework in which corporate and elected officials come together has changed. Commitments to the long-term future of this community are less than they were 20 years ago.

SO WHAT? you might say.

Many of us are already working in joint partnership efforts with others in the community on solutions to some of the problems arising from the impacts of this region's structural transformation.

- . ACTION-Housing, one of the sponsors of this conference, is working with a broad cross-section of the public-private and nonprofit sectors on the problems of the homeless and those of unemployed workers threatened with the loss of their homes through inability to make mortgage payments.
- . The Mon Valley Unemployed Committee is working with other groups throughout their community on the problems of unemployed, dislocated workers ranging from food to counseling to job training to housing.
- . The East End Cooperative Ministry and a host of other church groups are likewise providing a number of services to the unemployed and the disadvantaged.
- . Numerous other organizations from grassroots neighborhood groups to mental health agencies to sophisticated economic development corporations are working on one or another of the region's "problems."

Taken together, these efforts--coupled with the results of private market forces--will ameliorate some of the negative consequences of these structural changes and will determine the future of our region and the quality of life for all of us living here.

Is this sufficient? NO! These efforts are not coordinated and they are not dealing with the region as a whole. The need for a broad-based partnership to deal with all of the well-entrenched problems of the region

has been underscored a number of times in the last year and a half.

- . In June 1983, Chancellor Wesley Posvar of the University of Pittsburgh convened a two-day conference to discuss issues related to "Regional Economic Development Strategies in the 1980s and 90s." Eighty high-level participants from the corporate, government, labor, clergy, academia, and nonprofit sectors worked in small groups to develop a consensus set of recommendations. One of the overriding themes that permeated all of these discussions was the need for all parts of the community to work together.
- . In April 1984, the Pittsburgh Theological Seminary convened a conference entitled "Business and Religion in the Age of Robotics." It was a stimulating conference. In his summary remarks, Sam Calian, President of the Seminary, emphasized that the most significant theme of the conference was the necessity for government, labor, the clergy, academe, and the ~~public~~ ^{private} sector to work together—a five-legged stool—to resolve the difficult problems facing this community.
- . Finally, a month later, the Mon Valley Unemployed Committee sponsored a two-day conference, attended by upwards of 500 people. The topic was "Regional Economic Development: Community Style." The conference dealt with the immediate short-term needs of the unemployed and it also addressed the fundamental long-term needs of the region. And, you

guessed it, "community partnerships" were seen as necessary ingredients in developing solutions.

The problems of this region are easy to define statistically. Putting aside the immediate needs—and these are severe—of those who have been adversely affected by the changing economic conditions, the solution or solutions are not easy to define. Certainly high-tech is a part of it, the steel industry is an element, new business creation is key, infrastructure upgrading, retraining and so on, and pretty soon the mosaic of issues to be addressed becomes extremely hard to follow. What is needed is a commitment at the highest levels within this community to form a broad-based coalition to form an overall structure or framework to guide the numerous activities already underway and to devise strategies to reclaim parts of the community that are not sharing in the economic recovery.

In the last couple of years, if you were to ask what is the strategy for this region, you would have been told that the Economic Development Committee of the Allegheny Conference on Community Development—the corporate CEO organization—is developing a plan. This explained the visible lack of leadership in the community on these critical long-term issues. The plan—three years in the making—will be unveiled in early November.

If the plan accomplishes what it promises, it will provide a comprehensive structure to guide the future development of this region; and it will assign responsibility, with the Conference taking the leadership position, to help forge the needed partnerships. The key to the success of such a plan will be implementation. The Conference will have to assume responsibility to ensure that this occurs. And many of us in the room will

undoubtedly have a meaningful role to play.

On the other hand, if the plan does not provide a broad vision of the region's future, or at least put into place a mechanism for integrating all of the elements critical to the region's growth, then there will have been a clear abdication of responsibility on the part of the executives of the major companies, and we will have to look elsewhere for leadership. The only visible alternatives are the elected officials. To help them take a long-term perspective to deal with issues in a comprehensive manner, we—and I mean all of us—will have to put pressure on them to assure them that a long-term resource commitment is compatible with favorable treatment by the electorate at the polls.

In order to take advantage of all of our region's strengths, and in order to deal effectively with some of its most difficult problems, creative approaches to economic and human development must be forged. And to bring this about, we need leadership. Not the kind required to find solutions to today's problems—we are blessed with a large number of individuals and groups that are already doing this. But, we need leadership committed to the long-term future development of this region—leadership of a broad nature at the highest levels within the community. These are the people who have control over resources and can therefore bring carrots, as well as sticks, to the table. This leadership has been lacking in recent years. If it does not emerge through the Economic Development Strategy proposed by the Allegheny Conference, we will have to create it through the political system. I hope our community is up to the challenge.

To go forward, we must think broadly. There is a cry for leadership in this community, and we must make it happen. If not, many mill towns and numerous residents of our region will be permanently left

out of the economic mainstream of our society. We are clearly at a turning point. Our region will either go forward or slide backward. We will not stay where we are in terms of the economic health of our region and the social and emotional health of our residents. We have a difficult task ahead of ourselves; and whether or not we succeed is up to those that have the power to mobilize people and resources. The rest of us can help—we can do what we do well and put pressure on those in power to lead us forward.