



Chicago Metropolitan Agency for Planning

Agenda Item No. 10.0

233 South Wacker Drive
Suite 800
Chicago, Illinois 60606

312 454 0400
www.cmap.illinois.gov

MEMORANDUM

To: CMAP Economic Development Committee

From: CMAP Staff

Date: March 20, 2017

Re: ON TO 2050 Alternative Futures: What if the economy has been transformed?

The next step in the development of the ON TO 2050 Alternative Futures process is the development of a memo for each of the five futures selected for further analysis. Each memo will provide more detail on the key trends driving this future, the most important impacts of these trends on the region, and the strategies that can help the region respond to these impacts. Attached for feedback are the potential impacts of a future where the economy has been transformed by 2050.

ACTION REQUESTED: Discussion

CMAP Alternative Futures: Transformed economy

DRAFT main drivers and potential impacts

1. Summary of Alternative Futures project

2. Summary of Transformed Economy future

- a) **Accelerated change.** Change is perennial in the regional economy. This future is distinguished by change at an accelerated scale, scope, and speed.
- b) **Disproportionate impacts.** This change will affect all segments of the population but hits hardest in historically marginalized communities by hardening existing barriers to participating in an economy with higher skills requirements and placing more people at a higher risk of falling out of the middle class.

3. Main drivers shaping the future

- a) **Work transformed by technology.** In most occupations and across all skill levels, technology and automation has increased productivity and output. They also lead to lower labor force participation and higher minimum and continuous education requirements. Workers require advanced and changing skillsets to operate in the technology-intensive workplace. Entry- and subsequent-level positions require more literacy, numeracy, problem solving, and computer skills. Both workers and institutions struggle to cope and adapt with these changes.
- b) **On-demand and customized consumption.** Growing advancements in production and logistics transform the product categories and offerings available to household and industrial customers, enabling consumption patterns that are more service- and experience-oriented, customized, and on-demand/just-in-time.
- c) **Globalization.** Supply chains extend globally and employers access worldwide workforce. Mass market, low-cost/low-skilled distributed production (including services) see continued off-shoring, while the region regains some higher-end production and services to accommodate demand for customizable and/or on-demand offerings.
- d) **Demographics.** Seniors are a larger share of the population and workforce as people continue to live longer and retire later in life. The region is also more racially and ethnically diversified. These trends reshape the economy – from labor force to consumption patterns.

4. Potential impacts of drivers

- a) **How we work.** Technology transforms the future of employment through job loss, upskilling, and constricted growth, even as productivity increases. Effects vary widely across occupations, as job growth slows in existing industries and new, unforeseeable job opportunities emerge. However, significant workforce churn occurs in every segment and at every level of the economy. Occupations where a large portion of the workforce is more easily replaced by automation are impacted more than others.
- b) **What we make.** Benefits accrue to businesses and clusters that can produce their core product or service while constantly innovating. The need for scale and responsiveness create barriers to entrance. Some opportunities open for increasing the region's concentration in existing specialized industry clusters.

- c) **How we learn.** Training becomes a lifelong requirement. Job openings at all levels require rising minimum post-secondary training, creating barriers to reentrance and mobility. Entry-level workers face particular challenges as training in technical and soft skills generally decouples from the workplace and the cost of workforce readiness (via advanced and continuous education) shifts further onto individuals and households.
- d) **How (and where) we consume.** Freight and distribution, supply chains, land use, tax, and other systems struggle to accommodate rapid shifts in consumption patterns towards more omnichannel, service- and experience-oriented, customized, on-demand/just-in-time, and home delivery. For example, the proliferated large format retail will no longer be viable in this future.
- e) **Where we live and work.** The region attracts highly educated households and independent workers. Cost of living increases causing affordability challenges in areas with proximity to job centers. Demand for diffuse large-format office parks decreases as shared workspaces and more flexible work schedules become more common.
- f) **How we move.** On-demand delivery, ride hailing, and flexible work schedules alter traffic patterns and preferences. When it does occur, the economic cost of congestion is higher as reliability and predictability disrupt the business value of customized and just-in-time supply chains.
- g) **What we earn.** Real median household income continues to stagnate (or even decline) for a growing portion of the workforce; fewer people are able to earn more than their parents or to keep pace with the rising cost of living.

5. Disproportionately impacted populations

- a) Declining economic mobility due to growing shares of workers' inability to participate in the automated economy, particularly low- and mid-skilled workers without access to training.
- b) The scale, scope, and speed of change put more people at a higher risk of falling out of the middle class as the drivers fortify barriers to (re)entrance and mobility.
- c) Poverty is suburbanized, reinforcing and even accelerating declines in job access, transit connectivity, and quality of life among vulnerable populations.
- d) Some communities (e.g., those overly reliant on sales tax revenue or with a diminishing property tax base) will face increasing fiscal challenges as revenues decline, while at the same time experiencing growing demand for high quality education and services to serve the unemployed and under-employed. Uneven community capacity amplifies differences in opportunity across the region.