

Quality of Place & the New Economy:

Positioning Pittsburgh to Compete

In this era, economic success depends on a region's ability to attract and retain a young, highly educated workforce.

A strategic report written by Richard Florida,

Carnegie Mellon University

The rise of the new economy has radically altered the ways that cities and regions establish and maintain their competitive edge. Knowledge has replaced natural resources and physical labor as the source of wealth creation and economic growth. In this new era, a region's ability to attract and retain the highly educated talent needed for growth has become the key factor in its economic success. But attracting and retaining this talent has proven to be something of a challenge.

Conventional wisdom argues that if the jobs are available, the workers will follow, but the new economy doesn't quite follow these rules. Because the demand for talented people outstrips supply, and because competition has pushed salaries and benefit packages to very enticing levels, these highly skilled workers can essentially choose where to live and work. When it comes to choosing where to locate, knowledge workers have definite shopping lists, -- and regions that seek to attract them do well to know what they want.

This report details the findings of a year-long study of the relative importance of various factors beyond job availability in attracting talent. The study looked specifically at how a group of measures that can be collectively referred to as "Quality of Place" affects the ability of regions to attract talent and to generate and sustain a high technology environment. The study also:

- Examined the performance of 35 regions across the country on a range of "Quality of Place" dimensions
- Explored what leading technology-rich regions with whom Pittsburgh competes are doing to be successful
- Conducted focus groups with young Pittsburgh knowledge workers to better understand how they choose places to live and work.

The key findings of this study challenge commonly held beliefs that jobs alone are the most important factor in attracting talent and confirm that "Quality of Place" matters more than we in the region have perhaps realized. Regions that successfully attract and retain knowledge workers must offer both a range of high-tech job opportunities and a desirable "Quality of Place." The findings cover four main areas:

- What factors most influence knowledge workers' location decisions
- What Pittsburgh's competitors offer
- How Pittsburgh compares to successful high-tech regions
- What action should the Pittsburgh region take to become and remain competitive

WHAT FACTORS MOST INFLUENCE KNOWLEDGE WORKERS' LOCATION DECISIONS

Balance: Knowledge workers are highly mobile and essentially balance economic opportunity and lifestyle in selecting cities and regions that are attractive to them as places to live and work. Thus, challenging, high-paying, high tech jobs, while obviously necessary, are alone not enough to attract the best and the brightest.

Labor Market: Knowledge workers are highly mobile and anticipate moving among various employers and thus favor

cities and regions with a “thick labor market” that offers the wide variety of employment opportunities required to sustain a career in high technology fields.

Amenities: “Quality of Place” – particularly the variety and accessibility of natural, recreational, and lifestyle amenities – is vital in attracting talent and thus in supporting a broad range of leading-edge high technology firms and industries.

A Blend of Work and Leisure: Knowledge workers seek environments that allow them to blend rather than separate their work and leisure. Due to the long work hours, fast-pace, and tight deadlines associated with work in high technology industries, they desire amenities that blend seamlessly with work and can be accessed quickly on a “just-in-time” basis when free time becomes available.

A Sense of Place: Knowledge workers increasingly prefer urban to suburban neighborhoods and seem particularly drawn to areas that feature interesting older structures, a range of public spaces, a blend of personal and commercial space, and the bustle and buzz of varied activity including work, shopping, and entertainment. They prefer the kind of authenticity and realness found in older cities and neighborhoods to the generic office complex and strip mall environment found of the “techno-burbs.” This increasingly urban orientation is exemplified in the tremendous success of high-tech districts such as New York's Silicon Alley, San Francisco's South of Market, and urban Seattle.

Active Lifestyle: Knowledge workers prefer “doing” to “watching.” They prefer to participate rather than watch sports and favor a diverse range of intense outdoor activities (rowing, sailing, cycling, rock climbing). Easy access to water and water-based recreation is particularly important.

Alternative Arts and Culture: Defying traditional assumptions about what makes a region attractive, knowledge workers are less concerned with “big ticket” amenities such “high-brow” arts and culture or professional sports. Instead, they prefer a number of smaller, accessible, “street-level” opportunities to dine, dance, engage in active recreation, and soak up the local music scene.

The Environment: Environment – particularly air and water quality – matters. The new economy dramatically transforms the role of the environment and natural resources. What was once viewed as raw material and a sink for waste disposal must now be seen as an essential component of the total “Quality of Place” package required to attract talent and generate economic growth.

Diversity: Knowledge workers seek cities and regions with diverse populations, progressive thinking, and inclusive attitudes toward a broad range of individual characteristics including race, nationality, lifestyle, and sexual preference. Knowledge workers, look for diversity as a general feature of an area as well as a company, and as an indicator that they will be accepted, welcome and find people with whom they have shared interests.

Creativity and Innovation: Diversity is not simply an individual preference related to personal lifestyle but a basic precondition for the creativity and innovation needed to build and sustain a successful high tech region. Creativity and innovation are the key success factors of the new economy, and new ideas thrive in diverse environments. In other words, being competitive requires innovation, and innovation in turn requires diversity.

WHAT PITTSBURGH’S COMPETITION OFFERS

High Quality of Place: The leading high technology regions among the 35 studied for this report are Austin, Dallas, Seattle, the San Francisco Bay area, the greater Boston region, Washington DC, Denver, Atlanta, and Raleigh-Durham. All of these cities rank very highly in terms of “Quality of Place” and consistently outrank Pittsburgh on virtually every quality-of-place measure, including variety and accessibility of natural amenities, diverse lifestyles, and overall environmental quality. There is a strikingly strong correlation across the board between regions that are home to large concentrations of knowledge workers and the environmental and lifestyle amenities that these workers prefer.

Strategic Focus and Civic Engagement: The “Quality of Place” advantages that these regions possess are not accidental but the result of combined strategic effort and sustained civic effort. Leading high technology regions have aggressively pursued strategies to leverage their environmental quality, natural amenities, and lifestyle offerings to

attract and retain talent, and have made this part of broad, sustained and inclusive civic efforts.

Sustainability: Successful high-tech regions focus on smart growth and sustainable development, support youth-oriented cultures that are open and supportive of diversity, and work to involve their young residents in civic affairs.

Focus on University Areas: Successful competitors such as Boston, Berkeley, Palo Alto, Seattle, and Austin support the strategic development of extensive lifestyle and recreational amenities around major universities. These districts, in turn, serve as talent magnets geared to attracting and retaining knowledge workers by providing the amenities they desire and connecting them to other parts of the region.

Talent Attraction and Retention: Successful high tech regions do well in both attracting and retaining talent, a finding that suggests that strategies that focus on retention alone may not be sufficient to attract the diverse talent pool needed for growth. Austin has developed a focused “Wired for Talent” strategy to attract talent from across the nation. The project is a joint effort of the Mayor’s office, Chamber of Commerce, Austin-American Statesman, and Hire.com, a leading provider of e-recruiting software.

HOW PITTSBURGH COMPARES TO SUCCESSFUL BENCHMARK REGIONS

What we have learned from this study provides both good and bad news for the Pittsburgh region. The good news is that the city and region have a number of potential advantages for attracting and retaining knowledge workers and that critically needed changes are relatively easy and inexpensive to implement.

Advantages:

- Pittsburgh has a remarkable legacy of achievement in innovation, research, education, and environmental revitalization on which to build and draw.
- The region has tremendous assets and a long tradition of investing in amenities and quality-of-life. Spectacular riverfronts, the cultural district, professional sports, its concentration of universities and their high tech spin-offs, and the current concentration of coalitions of business and civic leaders working toward further improvement are only a few. Knowledge workers report that they are attracted by the “authenticity” and “realness” of the city and its neighborhoods.
- Pittsburgh is one of the few regions nationally that can integrate outdoor recreational amenities in an urban context. Its large system of parks, rivers, and varied natural terrain offer enormous possibilities for developing precisely the kind of “just-in-time,” recreational scenes that attract talent. Pittsburgh’s parks and rivers are not simply attractive natural amenities but assets that can be leveraged to achieve economic advantage.
- The institutions and amenities of Oakland, including its proximity to Schenley Park, the presence of major universities and their high-tech spin-offs and a first-class medical center, provide an excellent opportunity to develop a thriving university-anchored district that blends education, commerce, culture, and recreation. An enhanced district of this kind could provide a focal point for further development and put Pittsburgh on the radar screens of young knowledge workers who know well the charms of Austin, Seattle, Cambridge, Palo Alto or Berkeley.
- Areas of new commercial and lifestyle development in the Strip District, downtown, and the South Side offer an opportunity for Pittsburgh to link these areas and create an expanded and distinctive “Knowledge Triangle.” This strategy would expand the boundaries of the historic Golden Triangle up both rivers and to the major universities in Oakland. An interconnected area of this kind could retain and enhance the urban distinctness of the city, avoid problems of suburban sprawl that plague many developing regions, and help workers, students, residents and visitors alike see the city as a series of connected neighborhoods.
- The availability of affordable and architecturally interesting housing options in the East End, South Side, North Side, and the Strip district provides the opportunity to link work and leisure in a dynamic, authentic, connected and charged urban environment.

But the study also points to important areas of weakness that need attention. Despite the strong assets that give Pittsburgh the potential to rival the top-ranked technology-rich areas, the region currently lags behind leading areas on most “Quality-of-Place” measures and the way in which these measures correlate with the presence of high tech workers and employers.

Disadvantages:

- Pittsburgh ranks 47th in a highly regarded 1999 Milken Institute rating of 350 US regions across several dimensions of high technology.
- In our original study that compared 35 benchmark regions on measures of high technology and quality of place, Pittsburgh ranked near the bottom of the list. The Pittsburgh region was consistently outperformed by high tech competitors such as Austin, Denver, Boston, Seattle, Raleigh-Durham, the San Francisco Bay area, and Washington DC on both quality of place and high-technology measures. The region was more comparable to a group of lower amenity, less high-tech regions like Detroit, Cleveland, and Baltimore.
- Follow-on analyses of 50 benchmark regions conducted since the original report was completed found that Pittsburgh ranks poorly on various measures of “talent” – including:
 - percentage of bachelors degrees (39th of 50 benchmark regions);
 - professional and technical workers per population (37th of 50); and
 - the number of scientists and engineers per population (29th of 50).
- In addition to the low ranking on high technology, Pittsburgh did particularly poorly on measures of entrepreneurship (34th of 35 benchmark regions) and diversity (32nd). The low diversity ranking is particularly troubling and noteworthy because evidence from our focus groups indicates that young knowledge workers view a diverse cultural and demographic population as one of the most important quality-of-life features of an area.

Pittsburgh scores relatively well on measures such as overall environmental, air and water quality, and an overall index of “amenities” that includes measures of traditional arts and culture, professional sports, and “coolness.” But the low correlation between these measures and regional strength in high technology suggests that the overall amenity package offered by the Pittsburgh region may not be compatible with the interests of knowledge workers. More specifically, these measures reflect traditional cultural amenities (symphonies, museums, opera, ballet, major league sports) rather than the more casual, open, inclusive, and active recreational activities (rowing, cycling, a vibrant music scene, outdoor restaurants) favored by young knowledge workers.

A telling fact is that the overall “Amenities” profile for the Pittsburgh region resembles the profiles of traditional industrial regions such as Baltimore, Cleveland, and Detroit more closely than it matches the profiles of the leading high technology regions.

What Our Knowledge Workers Say

The problems highlighted by the statistical profiles are also reinforced by the attitudes and opinions of young knowledge workers currently living in the area. Virtually all of the participants in focus groups conducted as part of this study indicated that:

- they liked Pittsburgh
- the region has a host of appealing qualities, notably its neighborhoods, “authenticity,” and “realness”
- they would choose to stay if lifestyle and amenity issues were addressed

- they would choose to stay if they felt more connected to the city and region

However, they tended to see themselves as disconnected, isolated, and very likely to leave.

College students in high tech majors expressed a specific concern for the lack of quality lifestyle options and isolation in the Oakland area, the single area of the city that they know best, and take to be a microcosm of what Pittsburgh has to offer. In follow-on discussions and design “raves” with hundreds of students and young professionals, they expressed additional concern that the city and region was neglecting its history and its neighborhoods in favor of generic lifestyle options that are less appealing to them.

WHAT PITTSBURGH NEEDS TO DO TO BECOME AND REMAIN COMPETITIVE

The findings of this report lead to one simple conclusion: “Quality of Place” is the missing piece in the Pittsburgh puzzle. And while it is disconcerting that Pittsburgh currently lags behind its high tech competitors in this regard, the good news is that the basic components we need to develop and strengthen our position are in place.

The solutions are relatively easy and inexpensive to accomplish, if there is the will and concerted effort to do so. A key part of an effective strategy will need to include “Quality of Place” as a strategic focus in all ongoing economic development and competitiveness efforts.

This study suggests that the Pittsburgh region has a great deal to gain, and little to lose, from developing a “Quality of Place” strategy designed to attract talent. In fact, the kinds of changes this study suggests will provide amenities and enhancements that will strongly benefit the current population of the region. Pittsburgh is fortunate to be in a position to learn from the problems, most notably urban sprawl, experienced by growing high-tech regions, and to develop a sustainable growth plan and environment.

A tremendous advantage is that a “Quality of Place” strategy involves marshaling resources (parks, rivers, treed hilltops, existing urban neighborhoods, historic buildings, etc.) that are already in place. Such a strategy is strongly place-based and as such confers direct benefits on broad segments of the local population and industry, in contrast to conferring large subsidies to non-residents or outside industry. A “Quality of Place” strategy will benefit disadvantaged neighborhoods and populations as well as attract knowledge workers and make Pittsburgh a desired place for a diverse population to live and work.

NEEDED ACTION:

Quality of Place: Make “Quality of Place” a central feature of all regional economic development strategies. Integrate the development of natural assets and amenities into all aspects of regional economic development, talent attraction, and marketing efforts.

Historic Preservation: Preserve and build on Pittsburgh's authenticity and its industrial landscape including the highly sought after urban-industrial spaces found in neighborhoods like Oakland, the Strip District, the Southside, Northside and elsewhere. Pittsburgh's neighborhoods have the mix of old buildings, urbanity, ethnicity, authenticity and density that knowledge workers desire and cities around the country are trying to emulate or fabricate. These neighborhoods provide a tremendous source of potential advantage in the new economy as they are the kinds of places high tech companies and knowledge workers are looking for.

Redevelop Oakland: Oakland is currently home to 35,000 students who are potential knowledge workers and tens of thousands of professionals already working in knowledge industries. It is an integrated urban environment, with Schenley Park as a center for recreational amenities. It features a blend of urban housing, restaurants, bookstores, and the range of small commercial and entertainment establishments and opportunities for “collisions” and activities that knowledge workers seek and favor.

Knowledge Triangle: Use the university centers and Oakland as the anchor to link the South Side, downtown, the Strip District, and various East End neighborhoods in an expanded “Knowledge Triangle,” extending the borders of the Golden Triangle to include the major universities in Oakland. This effort will link the now major strategic centers of

the region – downtown and the universities, connect its key neighborhoods, enhance “Quality of Place” and make the city as a whole a unique, attractive, and an accessible place to live and work.

Connectivity: Establish more user-friendly transit connections between the university district, parks, downtown, and centers for high-technology enterprise through light rail, mass transit, shuttles, and bike lanes for commuting and potential water-based transit. In other words, develop various means that encourage and allow people to move around the city without being dependent on automobiles and to develop a sense of connection between various neighborhoods that are now individually interesting but isolated.

Riverfront Development: Develop an active, people oriented waterfront that encourages recreational activities such as rowing, sailing, and windsurfing. Improve access to the rivers and ensure that key neighborhoods are connected. Develop a “water necklace” that links neighborhoods within and beyond the Knowledge Triangle in a seamless web.

Parks: Conserve and develop the city’s 1700 acres of urban parks as precious assets conducive to a range of activities – active outdoor recreation, extreme sports, public art, music and performances -- that signal the kind of visible involvement, energy, and buzz that attracts talent.

Smart Growth: Encourage smart land use on a regional basis, particularly sustainable use, preservation, and revitalization of natural and existing assets. Equip neighborhoods and communities with tools to preserve both housing and open space and to create recreational amenities. Work with developers to provide more examples of successful residential and commercial developments that feature amenities, particularly in reconverted brownfield sites in urban areas.

Focus on Amenities: Invest in active outdoor, recreational and lifestyle amenities as a component of regional economic development and talent attraction efforts; for example, create climbing walls, mountain bike trails, bike paths, roller-blading areas, and the like. Explore the possibility of sponsoring or attracting more outdoor competitions and events such as triathlons, bike races, rowing competitions, and similar efforts that attract the attention of knowledge workers to the region.

(sidebar): **What the Study Involved:**

- An extensive review of existing documentation on the new knowledge-based economy – including: talent, career and location choices, amenities, sustainable development, and best practices in regional development
- A initial benchmark statistical comparison of Pittsburgh against 35 other metro areas and follow-on analyses of 50 benchmark regions
- Econometric research on the role of amenities in the location decisions of knowledge workers
- Case studies of four best-practice regions: Austin, Texas; Seattle, Washington; Burlington, Vermont; and Chattanooga, Tennessee
- Exploratory focus groups and interviews with young knowledge workers in Pittsburgh to probe their views of Pittsburgh and their reasons for location choices. Follow-on focus groups undertaken in conjunction with the Pittsburgh Parks Conservancy on the role of outdoor recreation and the parks
- A series of live discussions or "design raves" involving hundreds of young people from the Pittsburgh region to discuss what it would take to make the city and region more attractive to young people

How Pittsburgh Knowledge Workers Define What Makes a Region Attractive

(data from Focus Groups conducted by CAMPOS Market Research Inc.)

- A lifestyle that is youth-friendly and supportive of diversity
- Large numbers of visibly active young people
- Easy access to a wide range of outdoor activities
- A vibrant music and performance scene with a wide range of live music opportunities
- A wide range of nightlife experiences, including many options without alcohol
- A clean, healthy environment and commitment to preserving natural resources for enjoyment and recreation

Acknowledgments

Funding for this study was provided by the Richard King Mellon Foundation, the Heinz Endowments, and Sustainable Pittsburgh. Derek Davison collaborated in the data collection and analysis and in the preparation of this report. Gary Gates conducted the econometric analysis of the role of amenities in the location decisions of knowledge workers, with collaboration from Mark Kamlet and Ashish Arora. Tracy Gordon, Sam Youl Lee, Ji Woong Yoon, and Karin Tuxen provided research assistance. Diane O'Toole provided helpful comments and assisted with many dimensions of the study. Yvonne Campos and Matt Fleckenstein of Campos Market Research conducted the focus groups.

Helpful thoughts and comments were provided by: Linda Boxx, Don Carter, Gerry Balbier, Deb Baron, Bill Bishop, Diana Bucco, Bruce Katz, Meg Cheever, Melisa Crawford, Jeff Daniel, Kevin Dellicker, Mark Desantis, Evan Verbanic, Bob Evans, Rebecca Flora, Caren Glofelty, Susan Golumb, Paul Gottlieb, Court Gould, Andrew Haupt, Charlie Humphries, Andre Heinz, Robert Hurley, Max King, Scott Izzo, Martin Kenney, Mike Lambert, David Lewis, Ben Margolis, Timothy McNulty, Grant Oliphant, Antonia Scarlatta, Larry Schweiger, William Scranton Jr., Elizabeth Taaffe, Karen Shapira, Tom Sokolowski, Kyra Straussman, Larry Warshaw, Kirk Watson, Mike Watson, Gates Watson, and Davitt Woodwell – and various members and committees of the New Idea Factory.

The facts, analysis, and recommendations are the responsibility of the author and do not reflect the positions of Carnegie Mellon University, the Richard King Mellon Foundation, the Heinz Endowments, Sustainable Pittsburgh, or the Pittsburgh Technology Council.

Special thanks are due to an incredible group of young, talented knowledge workers who contributed ideas and energy to the project: Sophie Forbes, Elizabeth Currid, Christy Cunningham, Beth Newman, Lenn Kano, Mandara Meyers, Traci Jackson, Jonathan Kline, Todd Owens and many, many more.

Editors: Karen Schnakenberg and Michele Fetting

For more information on these issues, visit: www.heinz.cmu.edu/~florida/