FUTURE OF GROWTH IN SAN DIEGO:
THE ECONOMIC CASE FOR INCLUSION
The growth of San Diego’s innovation economy has made the region better educated and more prosperous than most of its peers. However, this economic transformation presents new challenges for future growth. Changing skill requirements, a nationwide battle for talent, and a soaring cost of living are combining to form an unequivocal threat to our regional competitiveness.

Hispanics are the fastest growing population and statistically the least prepared for high-skilled, high-wage jobs. Businesses with less than 100 employees make up 98% of San Diego firms and on average pay less competitive wages. With the fourth highest cost of living in the U.S., one million San Diegans cannot make ends meet.

Talent shortages are likely to grow as demand for new skills accelerates, while demographic gaps in educational attainment persist. For the region to remain competitive, proactive measures to promote economic inclusion must be taken.

- Close the minority achievement gap
- Equip small businesses to compete
- Address the affordability crisis

IF UNADDRESSED, SAN DIEGO WILL NO LONGER BE AN ATTRACTIVE PLACE TO LIVE OR DO BUSINESS
San Diego’s Hispanic population is the fastest growing and will become the region’s largest group by 2030. However, this population is dramatically underrepresented in the region’s innovation occupations and possesses the lowest rate of educational attainment by race and ethnicity - only 15% hold a bachelor’s degree or higher. Preparing the region’s workforce of the future means ensuring minorities are competitive.
Small businesses - those with fewer than 100 employees - represent 98% of firms in San Diego but struggle to compete with larger businesses for talent. Compared to the overall average, employees of these small businesses earn up to 20% lower wages, while employees of the largest firms receive up to a 45% wage premium. This disparity makes small businesses less competitive in attracting and retaining talent.

### Relative Compensation by Firm Size

<table>
<thead>
<tr>
<th># of Employees</th>
<th>Difference in Compensation to Regional Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4</td>
<td>-20%</td>
</tr>
<tr>
<td>5-9</td>
<td>-19%</td>
</tr>
<tr>
<td>10-19</td>
<td>-20%</td>
</tr>
<tr>
<td>20-49</td>
<td>-17%</td>
</tr>
<tr>
<td>50-99</td>
<td>-7%</td>
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<td>16%</td>
</tr>
<tr>
<td>250-500</td>
<td>15%</td>
</tr>
<tr>
<td>500-999</td>
<td>27%</td>
</tr>
<tr>
<td>1,000+</td>
<td>45%</td>
</tr>
</tbody>
</table>

### Digital Skills Provide Large Wage Premiums

The proliferation of digital technologies is rapidly changing the skills required to access economic opportunity. Workers with high digital skills are the least at-risk of automation and command the highest wages. The largest and most profitable firms are best able to adapt and invest in their workforce, putting small businesses at a further disadvantage.
ADDRESS THE AFFORDABILITY CRISIS

More than one million San Diegans cannot make ends meet. San Diego has the fourth highest overall cost of living and second highest median home price among major metros. This means that San Diegans spend a much greater proportion of their incomes on housing than the national average, leaving less income available for other necessities including food, transportation, and retirement. These pressures are already impacting the region’s top employers’ ability to attract and retain talent.

PROPORTION OF HOUSEHOLDS PAYING MORE THAN 30%* OF INCOME TOWARD HOUSING

OWNER (w/ mortgage)

RENTER

U.S. AVG.

57%

U.S. AVG.

50%

U.S. AVG.

28%

*30% of income is a standard measure for housing affordability.

ONE MILLION SAN DIEGANS CANNOT AFFORD TO LIVE HERE

TOP 10 DESTINATIONS FOR SAN DIEGO STEM GRADS AND COST OF LIVING ADJUSTED EARNINGS

WHEN ADJUSTED FOR COST OF LIVING, STEM TALENT CAN EARN MORE IN SAN FRANCISCO AND SEATTLE
The Brookings Institution’s Metropolitan Policy Program selected San Diego in 2017 - along with Indianapolis and Nashville - to participate in a six-month learning lab focused on inclusive economic development. EDC convened a collaborative core team - including the City of San Diego, Cox Communications, Jacobs Center for Neighborhood Innovation, Sempra Energy, and UC San Diego Extension - to build a data-driven narrative of the specific challenges faced by the San Diego region, and the economic imperative for action. Some findings in this document were provided by Brookings, as well as the Center on Policy Initiatives.

Throughout 2018, San Diego Regional EDC will be releasing additional research detailing the economic imperative for inclusive growth. Visit sandiegobusiness.org/inclusivegrowth to stay up to date.