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Florida and Orlando: Choosing the Future after the Recession

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The Reubin O'D Askew Institute on Politics and Society has partnered with the Bureau of Economic and Business Research to develop a series of Florida Focus papers that highlight how various regions in Florida are positioning themselves to move forward after the Great Recession. The paper below – the second in the series – is a background essay written for participants in a meeting titled "Orlando: Choosing Our Future after the Great Recession," that was co-sponsored by the Askew Institute and the City of Orlando on May 18, 2011.

Introduction

Florida and Orlando rocketed into the 21st century, as they had through much of the last half of the 20th century. From 1970 to 2010, the populations of both the state and the city expanded dramatically. Florida became home to 18.8 million people in 2010 compared to 6.8 million in 1970 and almost 16 million in 2000. Incorporated Orlando grew from 99,000 in 1970 to 238,300 in 2010. From 2000 to 2010, Orange County experienced the greatest population [*]growth of all Florida counties.

Joining the wave of retirees and workers seeking better job prospects were immigrants from throughout Latin America. Beginning in 1959, they added significantly to Florida's population diversity. Today, according to the most recent American Community Survey, 3.5 million or almost 19% of Florida's population has been born in another country. This proportion is less than that of California, New York, and New Jersey, but considerably higher than the national average. The foreign born population in the Orlando metro area is somewhat less than that of Florida, with almost 16%. Another notable sign of Florida's diversity is that more than one-fourth of all Floridians speak a language other than English at home.

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Florida's racial and ethnic profile has become significantly more diverse in the last three decades. Over two out of five residents are classified as having a race other than "white, non-Hispanic." In Orlando, the ratio is even higher than that of the state, with almost three in five residents classified as such. By 2010, 22.5% of Florida's population was Hispanic, up from 16.8% in 2000, while Orlando's Hispanic population stood at 25.4%, up from 17.5% in 2000. While Florida's African American population had declined throughout the 20th century, it expanded in the 1990s and 2000s, bolstered by the migration and immigration of African Americans, Jamaicans, and Haitians. The Black population rose from 14.6% in 2000 to 16.0% in 2010. Orlando's African American population has remained relatively stable for four decades with more than a quarter of the city's population, little changed from 2000.

While some Floridians point with pride to the state's racial and ethnic diversity and comment that it reflected the future of the nation, others worry that only 33% were born and continue to live in the state (Orlando's native-born population is at 35%), so that Florida has one of the smallest percentages of native-born people in the nation. Even such fast growing states as California and Texas have a significantly higher native population than Florida, with 43% and 62%, respectively.

Can a state or city of such complexity develop a strong sense of community, when so many come from places other than Florida, have such different backgrounds, and know little about the state's history or the challenges that had defined it? The absence of a mythic identity and a unifying, common heritage suggest not. One writer noted wryly that "Texas has the Alamo. Florida has Alamo rental cars."

The state's senior population has added to the ethnic and racial divide in Florida. Constituting 17% of the population, the second largest percentage in the nation behind West Virginia, seniors in Florida are overwhelmingly white; 83.2% are so, according to the 2000 Census. Only 9.9% are Hispanic and 6% are African American. By often residing in gated communities and spending only half the year in Florida, seniors have isolated themselves from daily life in the state and from many of the concerns of Florida's families. Seniors have also exercised extraordinary political influence that extends well beyond their percentage of the population. They tend to vote more than other age cohorts, often constituting 33% to 40% of the vote in local elections. Orlando is different in that only 14% of its retirement population is 65 and older, while 61% of the population is 44 years old or younger. That is a much healthier ratio of young to old than that of the rest of the state.

The Economic Challenges of the Great Recession

In the past, the challenge of forging consensus among such a diverse population was not particularly daunting because economic growth provided widespread opportunity for new and old residents. But when the economy began to decline, the lack of understanding Floridians had for their state and one another became an enormous obstacle in responding to the Great Recession.

By the spring of 2008, Florida's economy had begun to seize up, foreclosures were widespread, and new houses and neighborhoods stood vacant. Still Floridians, who only knew economic growth, believed naively that the downturn would not last long or be very deep. By 2009, that optimism had been dispelled, and people began to flee paradise. In both 2009 and 2010, Florida's population had its smallest increase in a century. With few people able to sell their homes in the northern states, the migration of the retirement population slowed to a crawl. And, as in the 1920s, Florida found itself buried in a mountain of debt, and jobs fell to a ten-year low for many of the state's major cities.

The "Florida Focus, 2011-2014," published by the Institute of Economic Competitiveness, University of Central Florida, points out that the construction and financial services sectors in Florida and Orlando were hit particularly hard during the Great Recession. Florida's construction sector shed almost half its jobs from the pre-recession peak of 2006 to 2010, and Orlando mirrored the state in that respect. Financial services also declined in Orlando but not as precipitously as in the state as a whole. Financial service employment was down 15% in Florida but only 7% in Orlando.[1]

The number of Florida's leisure and recreation-related jobs fell in 2008 and 2009 as a result of the national decline in disposable income, but increased in 2010. Orlando has a greater reliance on tourism employment than the state as a whole. Indeed, the Walt Disney Corporation leads the pack in the number of jobs it finances, now around 62,200. The number of tourists, both domestic and international, visiting Orlando decreased about 4.7% from 2008 to 2009. Yet, despite the dip, tourism in Orlando remained one of the more stable sources of revenue for the city and state during the recession. And the number of jobs in leisure and recreation services in Orlando is expected to increase by 10% from 2009 to 2011.[2]

Although Florida's and Orlando's long-term economic prospects bode well for the Sunshine State, four lingering threats to its recovery remain:

1. **High Unemployment**
2. **Languishing Housing Market**
3. **Projected Downturn in Government Employment**
4. **Creating the Jobs of the Future**

Unemployment: Florida's unemployment rate was 11.1% in March 2011, much higher than the 8.8% rate for the nation. Its unemployment rate ranked third in the nation, behind Nevada (13.2%) and California (12.0%). The

March unemployment rate in Orlando (10.4%) was lower than in the state as a whole. Orlando's unemployment rate, like that of the nation and state, has continued to decline, but it is unlikely to return to the 4% rate of 2005 and 2006. Indeed, UCF's IEC report projects the state's unemployment rate to be 7.7% by the end of 2014, and Orlando's is estimated to be only slightly lower.[3]

Housing market: Another major drag on the state's economic growth is the high percentage of foreclosures and unsold housing stock. Florida has the dubious distinction of leading all states with a foreclosure rate of 13.7% and with 23.5% of loans in either foreclosure or delinquency at the end of February 2011. The latter is almost twice as great as the national average of almost 13%. Foreclosure filings jumped from February to March 2011 by 5% in Florida and 3% in Orlando, but by a lower percentage than in the nation as a whole. All indicators suggest that the housing crisis will persist for several years. Adding to the crisis, mortgages are now more difficult to obtain than in the pre-recession years. And almost one in two Floridians have mortgages that are underwater, because they owe more for their homes than they are now worth.

Government jobs: Government employment at all levels affects economic growth and the effects are not linear or uniform. While government employment is financed by a mix of taxes and fees, the impact of budget cuts on federal and state government employees is not distributed equally across the state. Some view government employees as a drag on the economy, but these employees also pay taxes, eat in restaurants, buy cars, buy houses, and purchase all sorts of private sector goods and services. In 2010, the share of government employment (all levels) in the total workforce was 15.5% in the state and 11.6% in the Orlando metro area. While a relatively smaller source of employment in the Orlando metro area than the state as a whole, government jobs have provided a stable source of job growth for the metro area in past years. Currently, Orlando is the site of 12,700 federal employees and 19,500 state employees. Federal and state budget cuts are likely to increase unemployment in this sector in the near term and drive down their spending as a consequence.

The Jobs of the Future: Wells Fargo Securities recently identified several growth sectors that would have a high-share of employment in the future: finance and insurance, professional and technical services, accommodation and food service, and health care and social assistance. Florida was reported to have a greater regional advantage than most other states in accommodation and food service, finance and insurance, and professional and technical services.[4] Over 42% of Orlando's total employment is in a combination of those sectors.

The category used by the Bureau of Labor Statistics, "professional and business services," applies to a wide array of services, many of them higher-paying, such as: legal services;

accounting; architectural, engineering, and specialized design services; computer services; consulting services; research services; advertising services; photographic services; translation and interpretation services; veterinary services; and company management. In terms of employment, this general sector represented over 16% of Orlando's total employment in 2010 and is expected to have annual growth of almost 6% from 2011-2015.

Professional and business service jobs will be critical for the research, services, and technologies that are expected to stem from Orlando's biotechnology and life science companies. According to the Metro Orlando Economic Development Commission, there are more than 150 such companies in the Orlando metro area with 9,248 employees and an estimated $2.6 billion in earnings. The foundation for expanding employment in bio-life sciences appears to be in place, with plans to enlarge Orlando's life sciences cluster to 30,000 jobs and $7.6 billion in economic impact over a 10-year period of operations. [5]

Central to these efforts is the Medical City at Lake Nona. Using a model for "clustering" that has been successful in the technology industry, Orlando is placing some of its life sciences, healthcare and medical research companies together on *one* campus. The goal of the project is to fuel the creation of new careers for the city's residents and help Orlando diversify its economy beyond its traditional base of tourism.
The Medical City is anchored by the following "tenants:"

- Sanford-Burnham Medical Research Institute (now open)
- University of Central Florida College of Medicine & Burnett School of Biomedical Sciences (now open)
- MD Anderson Orlando Cancer Research Institute (now open)
- Nemours Children's Hospital (scheduled to open summer 2012)
- Orlando VA Medical Center (scheduled to open fall 2012)
- University of Florida Research & Academic Center (scheduled to open summer 2012)

Exporting activity is also central to Orlando's, and by extension, the state's prosperity. Orlando is the third largest export market in the state following Miami-Dade and Tampa. Florida saw exports increase by 17.8% from 2009 to 2010, after a dip in export activity from 2008-2009.[6] Orlando experienced a less severe decline (about 13%) in its export activity in that time period. The Orlando metro area's export activity totaled over $2.9 billion and accounted for 6.1% of total state exports in 2009.

The jobs for the future in these sectors face potential challenges in meeting workforce needs. Although Orange County has a higher percentage of prime working age residents (25 to 54 year olds) than the state as a whole, it will need to provide incentives to better align these workers with the skills of these emerging jobs. To attract more prime-working age people with the necessary skills, a good first step would be to systematically identify barriers to relocation and job creation and identify ways to ameliorate these barriers.

Long-Term Challenges for Prosperity

Both the state and Orlando will need a sizable, skilled, and educated workforce to meet the high skilled employment demands of clusters at the Lake Nona Medical City and of international commerce, computer software development, simulation, and other opportunities arising from a changing and expanding global economy. In addition, the community will need to develop measures that enhance stability, while also reducing poverty and crime. Finally, the community will need to expand transportation options to support business efficiency, job growth, and the city's competitive advantages.

- **An Educated and Skilled Workforce**
- **Improving Education**
- **Poverty and Crime**
- **Urban Sprawl, Traffic Congestion and the Damage to Business Synergy**

Making the Case for an Educated and Skilled Workforce: If the Great Recession has made anything clear, it is that a college education matters in this post-industrial, global economy. Those without a college education were more likely to lose employment early in the recession and have had much greater difficulty finding re-employment. According to a Bureau of Labor Statistics report, "Among workers 25 years and older, the unemployment rate for those with less than a high school diploma was about unchanged at 15.4% in the fourth quarter of 2010. The unemployment rate for high school graduates with no college was 10.0%, down 0.7 percentage point over the year, while the rate for those with some college or an associate's degree decreased by 0.4 percentage point, to 8.4%."[7] Furthermore, those with low paying jobs saw their wages on average shrinking: specifically in 2006, the median wage for the bottom 10% of Florida's workforce was $8.02 per hour, compared to $7.97 in 2009. Meanwhile, wages for workers in the top 10% of earners in Florida increased.[8]

While there will always be a demand for low skilled labor in Orlando, and elsewhere, no city will be able to compete globally on the basis of its lowest wage jobs. For 2009 the Orlando metro area reported 33,220 cashiers with a median wage of $8.45 an hour. By contrast, the Orlando metro area reported only 260 life scientists with a median wage of $35.18 an hour.[9] Florida and Orlando can and will draw some expertise in the sciences, engineering, and other more specialized professions from other states, but the nationwide housing meltdown has hampered mobility. As a consequence, a major source of skilled and educated workers will need to come from within the state. To facilitate the recruitment of skilled workers and the effort to "grow its own," Orlando must develop a coordinated plan to ensure its success.

Are Orlando and Florida prepared to move beyond their long-term economic dependence on the old pro-growth strategies of *yesterday* in order to embrace a stronger, more diverse, and robust global economy of *tomorrow*? There is some evidence that such efforts are underway. The spill-over effects from Disney World are clearly found in Orlando's more than 1,200 digital media businesses with 30,000 employees. In addition, over 3,400 metro Orlando employees have found work in film and television production.

Improving Education: The vast majority of skilled positions Orlando has targeted for its future are dependent on graduates of Florida's post-secondary education system. But university graduation rates are currently insufficient to meet the needs of a robust, high skilled economy. Only 62.3% of first-time-in-college students who began attending the state's public universities in 2000 graduated in 2006 and 63.2% who entered in 2004 graduated six years later in 2010. When the University of Florida, University of Central Florida, New College, and Florida State University are excluded from these rankings, Florida's other universities graduated less than 45% of the incoming freshmen class in 2004-2010. (The University of Central Florida has a six-year graduation rate of 62.7%.)[10] The graduation rates are also much smaller in such critical fields as engineering, physics, mathematics, biology, and chemistry, and, at present will not meet the needs of Orlando and other cities in Florida with similar needs.

Florida's K-12 system is also a major source of concern for employers. Too many students do not graduate from high school, and, among those who do, too many are unqualified for many entry-level jobs in the service sector, let alone in more skill-intensive industries. About 20% of all students in Orange County and Florida fail to graduate high school within four years. The good news is that high school graduation rates have been improving steadily in recent years in both the County and state, but this upward trend needs to be sustained and expanded.

One might argue that money does not necessarily buy a better education, but steadily declining public school funding is not likely to either. Since 2007-2008, total funds per FTE students have decreased each year and per student funding in 2010-2011 was roughly the same as in 2006-2007. The funding per student for the upcoming year is sure to be even lower with the disappearance of the federal stimulus money.

Reducing Poverty and Crime: Education is not the only factor that affects community stability and job growth and retention. Two others are poverty and violent crime. Arguably, efforts to effectively address one social ill should have some positive effects in reducing the others. Areas within cities that have a higher concentration of poverty also are more prone to crime. Cities do not want to be included in indices that rate them the most dangerous in the country. One index ranked the Orlando metro region third (with Birmingham) among the eleven most dangerous cities in the nation in 2009. This index combines property and violent crimes and Orlando ended up on the list because of its high rate of larceny and theft incidents.[11]

While the City of Orlando's crime rate is significantly lower than that of the region and many of its neighbors, rankings such as these are not good advertising. Crime, as well as the perception of crime, threatens Central Florida's tourism industry and the region's ability to attract new employers. From 2004 to 2006, the City of Orlando experienced a large increase in homicides that correlated with a national rise in violent crime.

The city responded by implementing a community-wide program to address the immediate causes for the spike in crime as well as establishing a task force to look at the root causes of crime in the greater Central Florida. Mayor Buddy Dyer also secured funding for the City to hire 159 new firefighters and police officers. This bolstering of the ranks of police and fire was combined with added training and investment in new technology. Four years later, despite challenges to the initial plan which arose from the national recession, Orlando has successfully implemented measures that have contributed to the most dramatic reductions in crime in Orlando history.

The City also launched the Parramore Kidz Zone project in 2005 to extend aid and opportunity to one of the City's most disadvantaged neighborhoods. This project focuses on improving housing, public safety, business development, conditions for children, and quality of life. When the Parramore Kidz Zone initiative was launched, "73% of Parramore's 2,000 children lived in poverty and 84% were in single parent households. Forty-seven percent of Parramore adults had neither a high school diploma nor GED and median household income was $13,613. In 2005, Parramore had the City's highest rate of reported child abuse and neglect, a juvenile arrest rate 2½ times that of Orlando's citywide rate and a teen birth rate nearly six times the rate of the surrounding county."[12]

Within three years of its launch, nine out of ten kids in Parramore had been impacted by the Parramore Kidz Zone through education, tutoring, computer access, healthcare, sports and mentoring. Youth crime was cut by more than 80% and teen pregnancies have been cut in half. Today, Parramore is a better place for children than it was when the city started the program. The model upon which Parramore is based has been so successful that the President announced funding to replicate it in more than 20 communities across America.

Urban Sprawl, Traffic Congestion, and the Damage to Business Synergy: The extensive literature in urban economics recognizes the value of education and community stability, while also pointing out the damage to business synergy and profits caused by urban sprawl and traffic congestion. Orlando, like many of Florida's cities, has more than its fair share of the latter.

Traffic congestion brings with it costs that are manifested in time and money lost through delays and additional fuel expenses for commuters and truck drivers. The annual *Urban Mobility* report ranks cities by their level of traffic congestion and the costs incurred by auto commuters and truck drivers from delays and related fuel consumption. The 2010 report ranked Orlando the 14th worst in terms of delay per year, with 41 hours per auto commuter. Truck drivers experienced an estimated cumulative loss in time of 39,185 hours. The total congestion cost to Orlando was estimated at $962 million in 2009.[13]

Traffic congestion also has implications for employment growth. A recent study by Hymel measures the impact of traffic congestion on employment growth in large metropolitan areas.[14] Although Orlando is not considered a large metro area so it was not included in the analysis, it is reasonable to conclude that the impacts of congestion on larger cities would have applied to Orlando as well. Based on the most recent *Urban Mobility* report, San Diego has a lower traffic congestion cost per commuter than Orlando. According to Hymel's analysis, the San Diego MSA would have been home to more than 50,000 additional jobs between 1990 and 2003 if congestion had been reduced by 50%. This finding suggests that lower traffic congestion in Orlando would have resulted in many more jobs over the years. Because San Diego and Orlando differ in the degree of employment centralization, the magnitude of job creation would have been different, but traffic congestion certainly appears to be at odds with job growth.

Public transportation is obviously one of the major ways to connect neighborhoods and enable Orlando's residents to access medical providers, work, tourist facilities, and shopping malls. It is also really important for community inclusivity and stability.

While local traffic in the Orlando metro region remains a major challenge to economic and business development, Orlando's International Airport has proven to be a boon to global trade, tourism, and commerce. In 2010 Orlando International Airport served over 34 million passengers, handled 168,124 tons of cargo, and was the 17th largest entry port for visitors from overseas to the continental United States. In addition, six other airports serve the larger metro area. With many direct flights to all parts of the world, the International Airport and the regional airports have made Orlando a transportation hub for air travel and commerce. There is every sign that this area of travel and trade will continue to expand significantly in the coming decades.

Conclusion

A lack of sustained investment in educating future skilled workers and researchers hurts all cities in the state. When asked recently by a state legislator why the Boeing company ignored Florida in choosing to build its planes in another state with higher taxes, higher wages, more union presence, more regulations, and lower unemployment, the Boeing representatives responded: well-educated workers.[15] Along these same lines, a recent Wells Fargo Securities report observed: "States with a large number of high-growth industries that also have a large skilled workforce will be at a greater competitive advantage."[16]

While Orlando and Florida have identified biomedical research, international trade, digital media and other high-skilled and high-compensating fields as critical for their future development, the city and state are still very dependent on a workforce that is not sufficiently trained and educated to meet future demand.

Collaborative efforts are nonetheless critical for meeting workforce demands. Recently, the CEO of Sanford-Burnham Medical Research Institute remarked at the ground-breaking of its medical center that Orlando was chosen as the Institute's east coast headquarters because Central Florida's regional leaders had shown the willingness to work together to secure community amenities to attract top notch employees and a dynamic workforce.

Over the last decade, The City of Orlando and Central Florida's many cities and counties have been able to leverage the benefits of enhanced partnership to begin developing a collaborative, regional approach to these challenges. Future efforts will try to involve more private sector participation. It is clear that maintaining this strategic effort to diversify the region's economy and grow the jobs of tomorrow while focusing on safety, education and expanded mass transit will be essential if Orlando is to emerge from the "Great Recession" as the world class City so many of its residents desire.

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