

MI2: Lessons for the Future

Peter Creticos

July 15, 2010



Initial Propositions

- **The Midwest is an integrated economy**
- **The logic of economic integration should drive future collaborations among jurisdictions**
- **Workforce development can drive economic growth and business expansion**
- **Economic transformation and growth will be driven by innovation and entrepreneurship**

Midwest as an economic region

- **Good evidence of a Midwest economic community**
 - Many industries encompass much of the region –no single industry defines the entire region
 - The region functions more like an economic integrator – elements across the region are aggregated and integrated to support various industries
 - Integration is sticky: opportunistic not strategic
- **The region is not cohesive – Midwestern identity does not translate into collective action**
 - Challenges systemic – Actions local
 - Focus on intra-regional advantage obscures inter-regional and international threats and opportunities
 - Data challenge: import substitution

Collective action is an unnatural act

- Economic structures are not constrained by boundaries, although individual jurisdictions can affect outcomes
- The consequences of local/state actions on the collective outcome are neither well understood nor considered
 - Place-based strategies emphasize think local/act local vs. think global/act local
 - Narrowly focused collaborations are abundant
- Collective action requires a new frameworks and metrics
 - Greater clarity on regional economics will rationalize issues
 - Incentives and new metrics supporting collective action address the problem of jurisdictional accountability

Today's workforce system

- **The WIA model of the 1990s is transactional and response driven and does not favor human capital formation that grows economies**
 - Being demand-responsive does not necessarily lead to strong local or regional economic outcomes – opportunistic and situational
 - May misinterpret vacancies as shortages and mismatches as failures
- **Growing economies are evidenced by growing wages and greater community wealth**
 - Short-term vs. strategic view on what sustains economic growth
 - Match growth strategy with human capital strategy
- **Dual framework – dual performance measures**
 - Immediate: Improving LM efficiencies leads to greatest immediate successes – LM exchange, sectoral initiatives; current WIA performance measures
 - Long term: Strategic partnerships linked to economic initiatives that are targeted to grow sustainable middle-income jobs, wages and community wealth – supply chains, industry clusters; 3 -5 year results horizon

What jobs? What grows wages and wealth?

- **Not wholly substituted by an algorithm**
 - Irreducible – Only a human can accomplish
 - Hybrid – Human assisted by machine
 - Paradox of low skill work
- **Requires the acquisition and application of special knowledge and skills**
- **Value adding**
- **Balancing business profitability and economic security**

Special challenges

- **Growing gulf in job creation**
- **Down waging of good skilled jobs**
- **Incorporation of immigrants**
 - **Moving low literate/low skilled up**
 - **Recognizing competencies of high skilled**
- **Workable solutions for the +50 worker**
 - **New training models**
 - **Recognition of prior skills**
 - **Transitions**
 - **Metrics**

Growth through entrepreneurship and innovation

- New enterprises generate many new jobs – but, high mortality rate
- Innovations also grows jobs, but only when they are scaled up
- The obverse is devastating: the decline of entrepreneurship and innovation contributes to economic decline
 - U.S. in general, possibly the Midwest more-so, is not creating new value-adding products or services
 - Process vs. Product Innovation
 - Financial innovation as a means for creating stockholder value

MI2 Investments

- **Grow our understanding of the Midwest**
 - Regional econometric input-output model: economic logic of collective action
 - State-by-state economic performance indicators: things we do well, things that we need to change and improve
- **Identifying opportunities and challenges – a talent based approach**
 - Skills shed analysis
- **Dealing with local challenges**
 - Problem-solution finder – MidwestInnovate.org
 - RECAST
- **Strategic challenges – working beyond WIA**
 - Working sessions
 - Innovations in labor market information
 - Regional economic modeling, economic indicators and cooperative policy making
 - Collapse of middle income jobs and the jobs bust for boomers and war babies
 - Innovating our way to prosperity
 - New strategies for economic revival: regrowth from our manufacturing roots (emphasis on supply chains)
 - Supporting already strong federal inter-agency cooperation in the Midwest
 - Bridging between the workforce and economic development communities

MI2 - Next steps

- Rationalize ongoing and emerging regional and sub-regional initiatives
 - GCIR model – organize the market for funders and activists
- Clarify the logic for collective action
 - Research from input-output model
 - Map of industry by detailed NAICS – multi-institutional team
 - Link state economic benchmarks and dashboard indicators with regional economic outcomes

MI2 - Next steps (cont.)

- **Discover/develop working and workable and scalable public/private investment models supporting growth of good jobs and local wealth creation**
 - Matching training, economic and business investment
 - Coordinate and support the development of “reverse” RFPs in various industries and across jurisdictions when economically justified

MI2 - Next steps (conclusion)

- Midwest learning academy for state and local policy makers, senior workforce and economic development professionals, educators, researchers, business and education leaders – in-person and online – as a forum to foster strategic understanding and thinking and to facilitate strategic action
 - New models for +50 workers
 - Co-investment models for sustainable middle income job growth and long term economic prosperity
 - Managing change: changing economies, changing worlds, changing demographics
 - The Midwest in transition: thinking globally, acting locally
 - Regional economy in transition > \sum (cities in transition)

Thank you

- **Minnesota Department of Employment and Economic Development**
 - Bonnie Elsey, Project Co-Chair
 - Shelley Landgraf
 - Chris Tell
- **Hennepin County, Minnesota**
 - John McLaughlin, Project Co-Chair
- **Ozarks Technical Community College**
 - Dawn Busick, Initial Project Co-Chair
- **Employment and Training Administration, U.S. Department of Labor**
 - Julie Baker
 - Nick Lammers
 - Byron Zuidema
- **Economic Development Administration, U.S. Department of Commerce**
 - C. Robert Sawyer
- **Great Lakes Employment and Training Association**
 - Cheryl Welch, Chair (Administrator, Fox Valley Workforce Development Board)
 - Board of GLETA
- **Project advisors**
 - Ken Voytek, NIST/MEP
 - Rick Mattoon, Federal Reserve Bank of Chicago
- **Project teams, workshop speakers and technical subcontractors**
- **Facilitators: Jennifer Phillips, James Schultz and John Baker**
- **Institute for Work and the Economy**
 - Robyn Souza
 - Annie Lambla
 - Jeff Marcella
 - Board of Directors: Robert Knight, Steve Mitchell