



Resurgent Midwest, Insurgent Growth

A Project of
The Council of State Governments
and
GrowthEconomics, Inc.

In Collaboration with the Institute for Work and the Economy's
Midwest Innovation Initiative (MI2)
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Outline

1. Why “Resurgent Midwest-Insurgent Growth”?
2. Purpose of this Presentation
3. State of the Region
4. Commonalities
5. Vulnerabilities
6. Recession’s Gifts
7. Wrap Up: Ideas and Takeaways



1. Why This Initiative?

- ❑ Recent reports, books and unemployment 'rather depressing' about the Midwest, but far too pessimistic.
- ❑ CSG looking to take a more realistic well-researched approach, using past data but also future opportunities in a changing global economy.
- ❑ **This recession points to an urgent need to develop and customize "quality economic and workforce intelligence" for each of the Midwest's states and provinces and to explore Midwest commonalities and collaboration.**



1. Why this Initiative? Cont'd

- ▣ **'Resurgent Midwest'** speaks to the goal of helping Midwestern states get back to a position of regional U.S economic strength, akin to the post-war period when the region outperformed in both manufacturing and agriculture and held its own in advanced services.



1. Why This Initiative? Cont'd

- **'Insurgent Growth'** refers to **how** the Midwestern states will re-emerge: predominately by **'growth from within'**.

- **'Growth'** means:
 - increasing numbers and percent of high pay jobs
 - increased opportunities to move up
 - lots of fast growth businesses, exceeding industry averages
 - increasing sales per worker (value creation)



1. Why This Initiative? Cont'd

- Tested two methodologies:
 - **Economic Dashboards** for each state (using data no more than 9 mo. old)
 - **Report Card Comparison** for each state (14 categories, 24 Report Cards, latest year 2008 (economic and education/workforce))

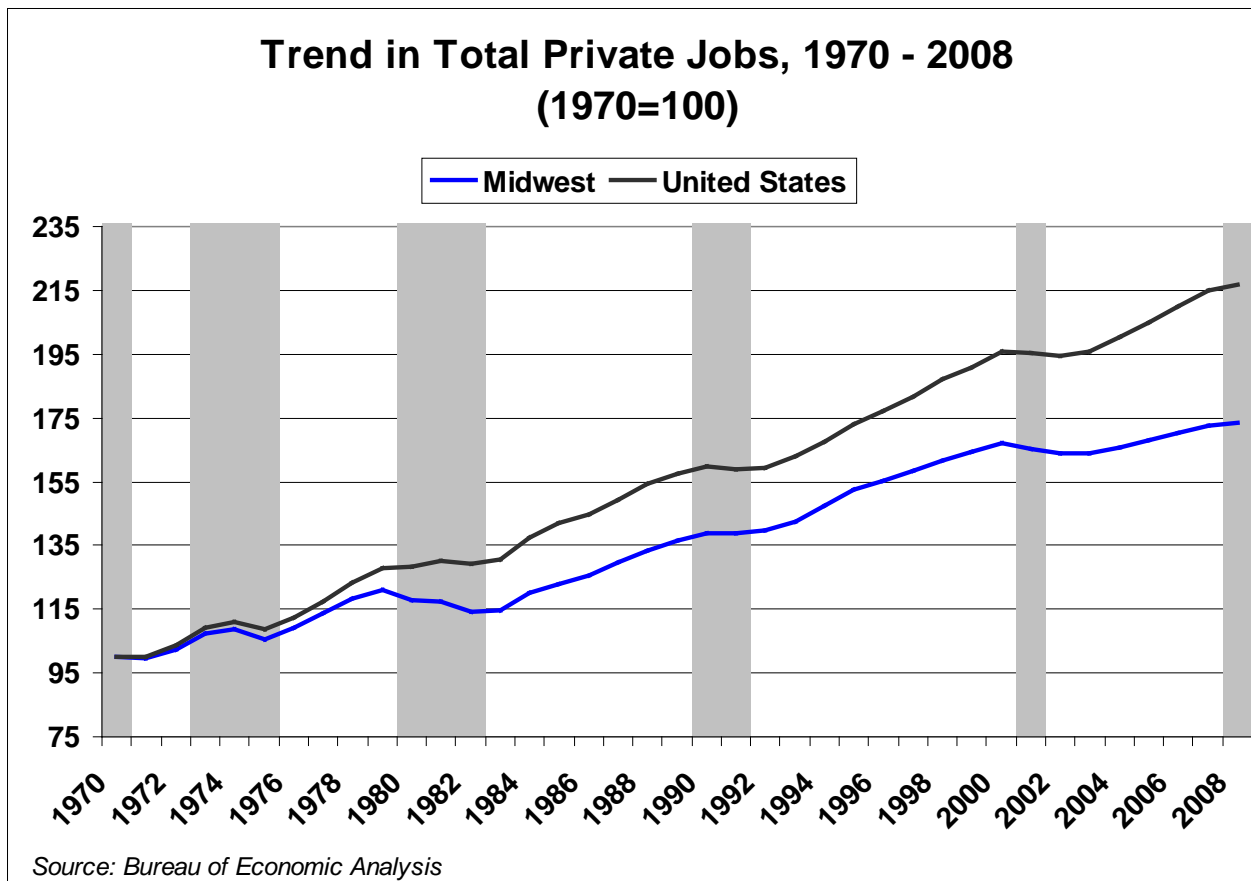


2. Purpose of this Presentation

- Highlight workforce features of Dashboard products and Report Card products for each state.
- Explore dimensions of workforce that are more than a response to demand— rather that ‘blaze a trail’ for growth.
- Search for intersections between workforce and other key determinants of growth.



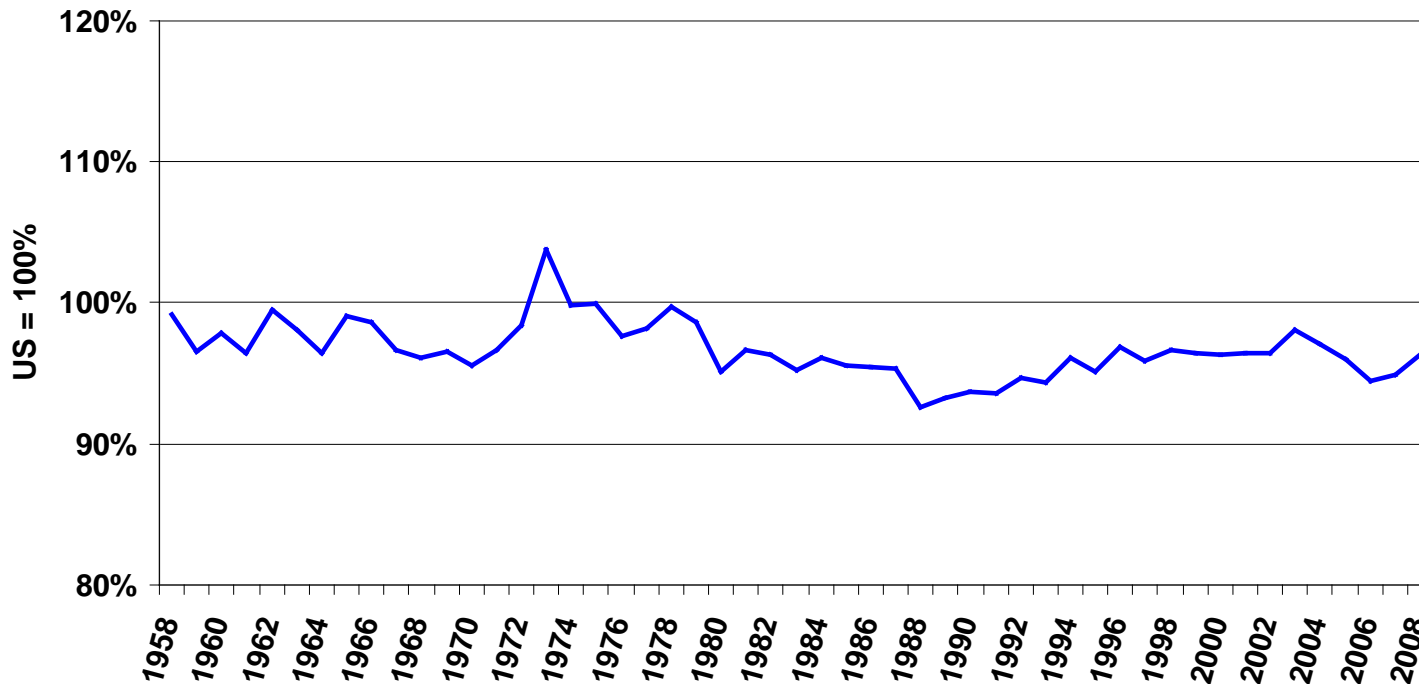
3. State of the Region





3. State of the Region cont'd

**Midwest Average Per Capita Disposable Income
As Percent of U.S., 1958 - 2008**

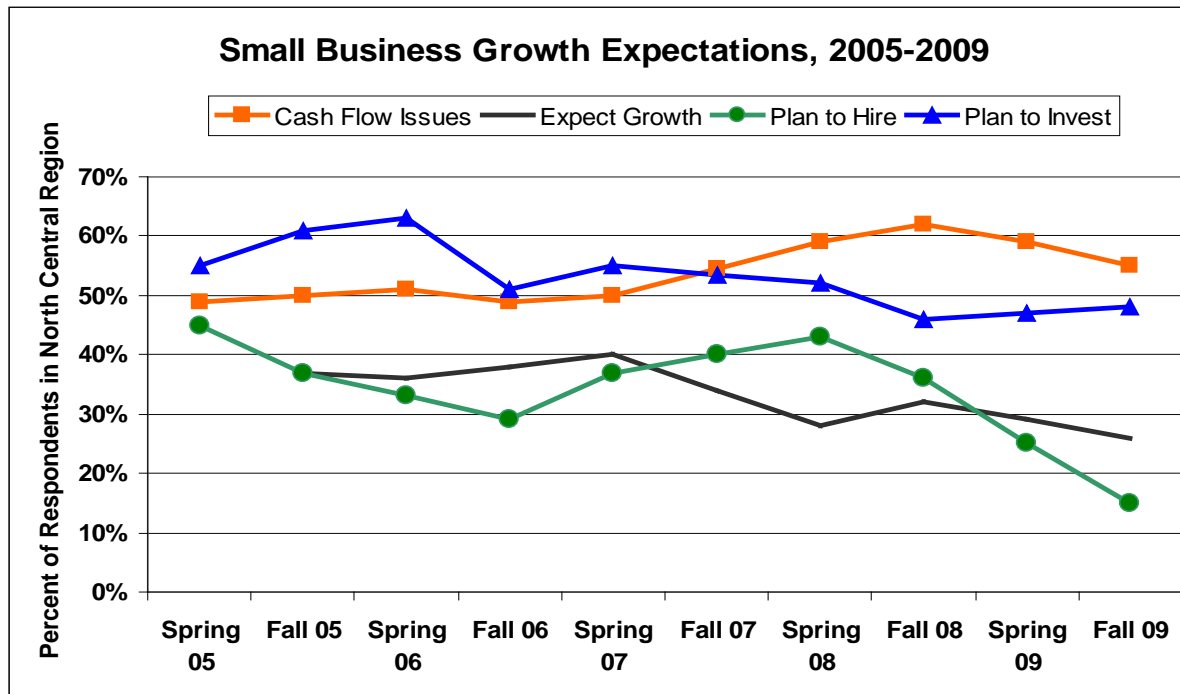


Source: Bureau of Economic Analysis



3. State of the Region cont'd

Amex Semi-annual Survey





3. State of the Region cont'd

▣ Variation in State Economic Distress (Ranking)

- Illinois 35
- Indiana 10
- Iowa 14 (tie)
- Kansas 24
- Michigan 42
- Minnesota 18
- Missouri 5
- Nebraska 16 (tie)
- North Dakota 1
- Ohio 36
- South Dakota 12
- Wisconsin 27

Source: Kaiser Family Foundation, average rank across three indicators, Mar. 2010: most recent Foreclosure Rate, annual change in monthly Unemployment and annual change in monthly Food Stamp Participation.



3. State of the Region cont'd

▣ Correlation with Fiscal Stress (Ranking)

- Illinois 41
- Indiana 18
- Iowa 2
- Kansas 15
- Michigan 47
- Minnesota 18
- Missouri 22
- Nebraska 2
- North Dakota 4
- Ohio 22
- South Dakota 9
- Wisconsin 41

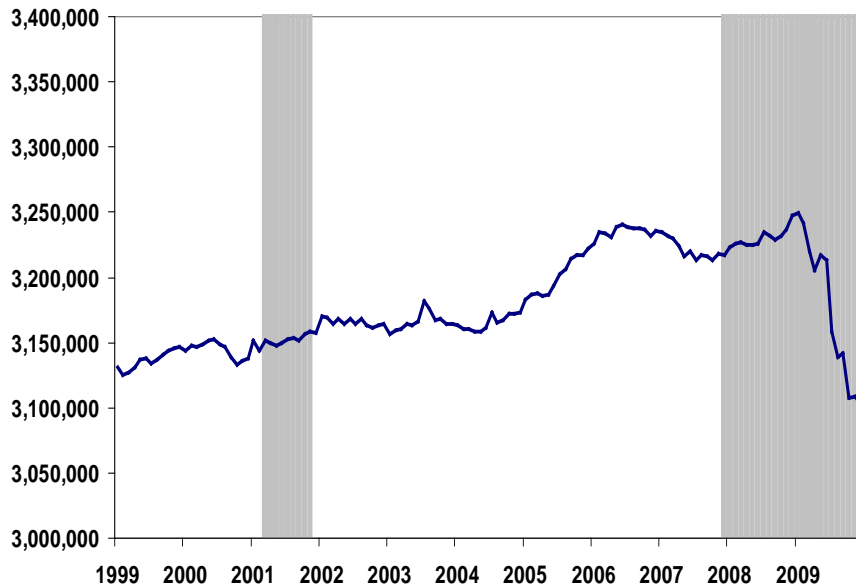
Source: Pew Center on the States



3. State of the Region cont'd

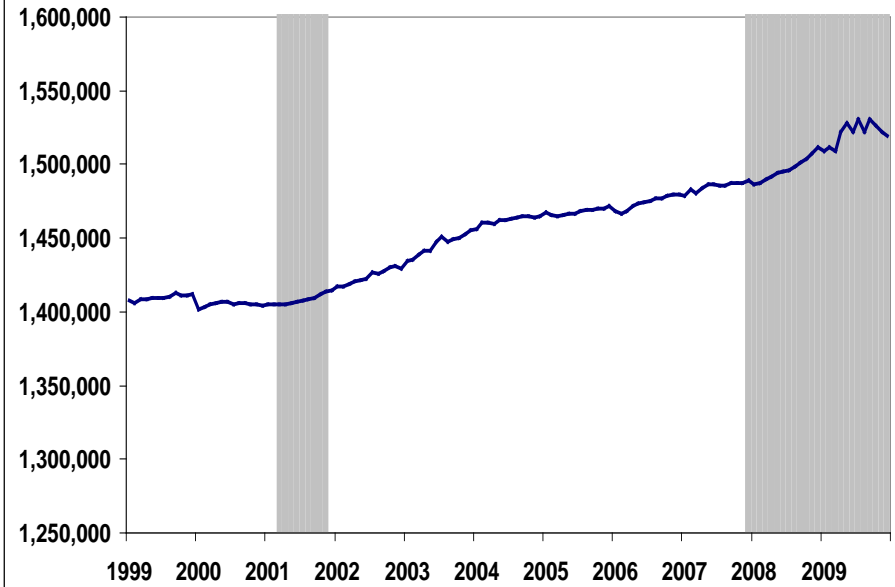
▣ Variation in Labor Force Growth

Indiana Labor Force
1999 - Dec. 2009 (prel.)



Source: Bureau of Labor Statistics, Local Unemployment Statistics. Seasonally adjusted.

Kansas Labor Force
1999 - Dec. 2009 (prel.)

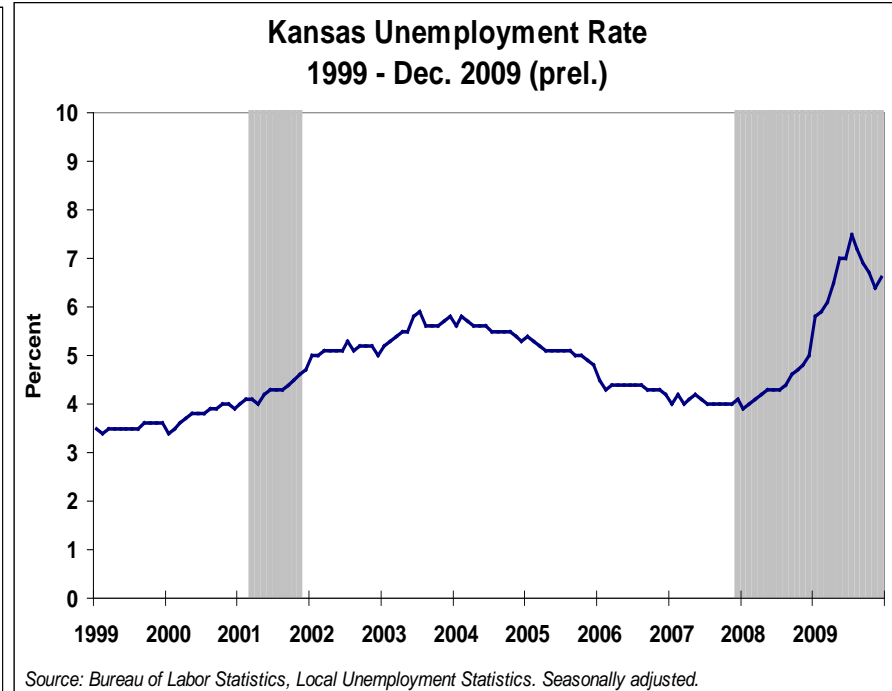
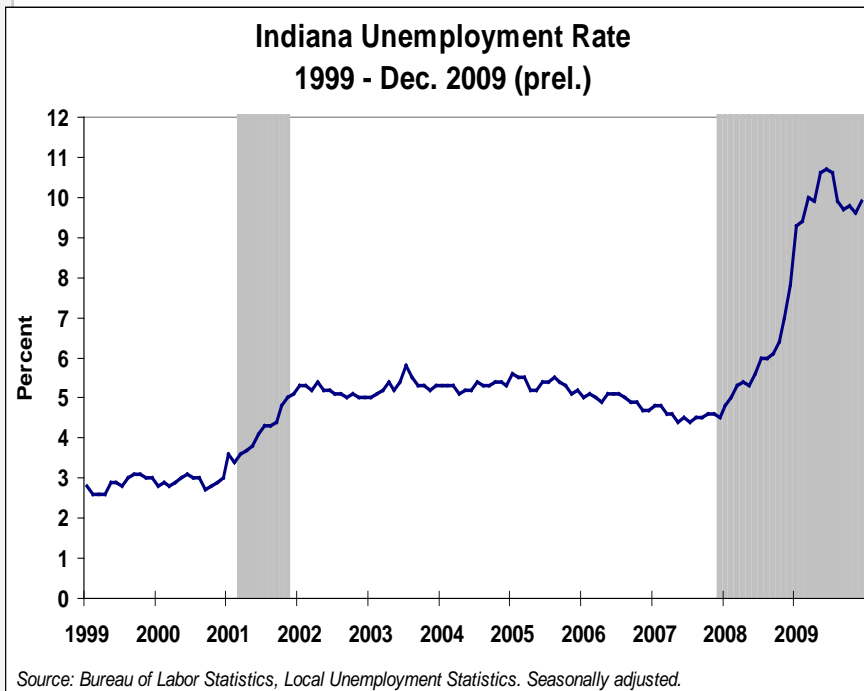


Source: Bureau of Labor Statistics, Local Unemployment Statistics. Seasonally adjusted.



3. State of the Region cont'd

▣ Variation in Unemployment Rate





3. State of the Region cont'd

- Education and Workforce Report Cards (2008 data):
 - Am. Legislative Exchange Council
 - Beacon Hill Inst.
 - CNBC
 - Education Weekly, Quality Counts
 - GrowthEconomics
 - Forbes
 - Kauffman Foundation/ITIF
 - Measuring Up
 - Morgan Quitno
 - Tech America, Cyberstates
 - U.S. Chamber, Leaders and Laggards



3. State of the Region cont'd

- Presentations to Midwest Legislators so far - very interested in:
 - The demographics of those leaving the labor force
 - Those unemployed or underemployed
 - Future mobility of workers within and across states
 - Determinants of future growth



4. Region's Commonalities

- ❑ Economic Performance and Growth: sub par.
- ❑ Midwestern states rank well on government performance.
- ❑ Education scores better than workforce --some notable improvements in education e.g. IN,OH; some exceptional education e.g. IA,KS,MN,WI.
- ❑ Good education may not mean good economic performance; good workforce may not result in superior economic performance. e.g. KS,WI. Not just 'workforce = economic development', its more complex.
- ❑ Business climate varies considerably. But much of the Midwest retains strengths in general business climate: cost of doing business and legal climate. But similar to workforce, superior business climate alone does not ensure superior growth.



5. Region's Vulnerabilities

- Out of 12 states, number of in the high range of rankings across multiple Report Cards:
 - Technology/Innovation: 3
 - Entrepreneurship: 1
 - Access to Capital : 3
 - Innovation Workforce: 4
 - International Business Activity: 4



5. Region's Vulnerabilities cont'd

- ❑ Today's growth equation is more than 'all we need is better workforce' or 'all we need is better financing'. We don't yet know the right/ideal combination of economic foundations and agents for the Midwest— further research is needed + it varies by state.
- ❑ **We do know three missing ingredients in most Midwestern states are technology competitiveness, entrepreneurial dynamism and international business activity – all closely linked to talent/workforce.**
- ❑ And signs are that next business cycle growth is all about innovation, entrepreneurial initiative, labor productivity, international trade/market expansion.



6. Recession's Gifts

- ❑ Start-up Businesses: When the economy bottoms, entrepreneurial activity takes off.
Implication: Increase their survival rates.
- ❑ Learners, esp. at Community Colleges.
Implication: Don't cut assistance to p-t learners
- ❑ High Labor Productivity
Implication: Initiatives that incr. sales eventually lead to employment.



7. Wrap Up: Ideas and Takeaways

- ❑ **Idea: Collaborative Regional Workforce Intelligence.** demographics of labor force leavers, unemployed; demographics of immigrant workforce; demographics of active aging; research on the proactive dimensions of workforce on economic growth and other growth determinants.
- ❑ **Idea: Regional Entrepreneurial Dynamics.** Reinvigorating the Midwest entrepreneurial spirit in all educational and work force initiatives—rediscovery of an earlier culture!
- ❑ **Idea: Regional Talent Immigration.** Coalition to reach out to past and present Midwest foreign students and staple a 5-yr visa to their diplomas!
- ❑ **Idea: Regional International Activity.** Embrace trade, educational and cultural exchange; foreign credentialing.



7. Wrap Up: Ideas and Takeaways cont'd

- **Takeaway 1:** This is no ordinary recession for the Midwest – most likely things will not return to business as usual --transformational change is at work (change is long term structural as well as cyclical) .
- **Takeaway 2:** Recovery, then expansion, will likely be slow necessitating long haul, persistent growth strategies for each state, but flexible enough to adapt to unpredictable, fast-changing economic conditions. Winning states will have long term strategies that stretch political lead times.
- **Takeaway 3:** State growth and fiscal policies: two sides of the one coin.



7. Wrap Up: Ideas and Takeaways cont'd

- **Takeaway 4:** For Workforce to blaze a trail (in addition to demand-driven) its strategies must be harmonized with innovation, entrepreneurship, international trade and investment strategies.
- **Takeaway 5:** The Midwestern states do not have a tradition of collaboration for growth – now might be the time, esp. in areas of branding, technological innovation, fostering entrepreneurship, increasing international business, attracting investment and coordinating workforce strategies.



7. Wrap Up: Ideas and Takeaways cont'd

The Bottom Line:

Why not a Midwestern 'Growth Zone' ??

Using Workforce and Entrepreneurship as central themes

(does not have to include all Midwestern states and provinces; They don't have to be contiguous; Just committed to brand themselves a globally competitive economic zone)



Discussion

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Next Dance: return to growth