

# MI2: Lessons for the Future

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# 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](http://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)

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