

Job Creation Strategies for Iowa



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Current Conditions in IA



- ❧ **Unemployment: 6.1% v. U.S. 8.8%**
- ❧ **Employment: +11,400 in 2011**
- ❧ **LFPR strong**
- ❧ **One year growth (March to March) +13,000 (0.9%)**
 - ❧ **Trade and Transportation + 5,800**
 - ❧ **Leisure and hospitality + 5,100**
 - ❧ **Professional and business services +2,900**
 - ❧ **Manufacturing +2,500**
 - ❧ **Finance -1,400**

Iowa's Largest Industries



❧ Trade, transportation, and utilities	20.6%
❧ Education and health services	14.4%
❧ Manufacturing	13.6%
❧ Leisure and hospitality	9.1%
❧ Financial activities	<u>6.7%</u>
❧ Total of these industries:	64.4%
❧ Total non-farm employment:	1,480,500
❧ (WI: Mfg = 16.1%; employment 2,761,300)	

Iowa Metropolitan Profile



❧ Proportion of Population	56.7%
❧ Proportion of Jobs	60.1
❧ Proportion of Gross Product	63.4

Metropolitan

❧ Nebraska Population	58.7%
❧ Wisconsin Population	73.1

Question: How Best Job Create?



Three Options:

1. Attract Business From Elsewhere
2. Work with Existing Businesses
3. Create New Businesses

Option Selection I



Not Attraction!

- **Nationally 2% of state employment growth**
- **It is expensive and wasteful**
- **Subsidies to outsiders upset insiders**
- **Those attracted are mobile and move again**
- **Few have commitments to local communities**

Option Selection II



Grow Jobs Organically

❧ **Bolster Existing companies**

❧ 42% of employment growth

❧ **Promote the start of new companies**

❧ 56% of employment growth

Case for Entrepreneurship



- ❧ **Small businesses (less than 500 employees)**
 - ❧ 99.7% of all employer firms
 - ❧ Generated 64% of net new job growth last 15 years
- ❧ **IA in middle: number of new business starts per capita: 300/100,00; NV leads 510/100,000**
- ❧ **Most job growth occurs in firm's first 5 years**
- ❧ **Enduring firms continue to grow as cohorts fade**
- ❧ **Business Churn: must create new to replace old**

New Firm Generators



- ❧ Individuals not firms (.10 v. .30 per 100K)
- ❧ Range of ages and education levels
- ❧ Majority of jobs are created by “gazelles”
- ❧ Gazelles are commonly technology related, but process changes are also big winners
- ❧ Universities increasingly important (IP)
- ❧ Largely match current industrial distribution

Quiz



- ❧ How many cans of water does it take to brew one can of beer?

- ❧ Where do most entrepreneurs start their firms?
 - ❧ 1. Where they live
 - ❧ 2. Nearby state
 - ❧ 3. Where concentration of similar businesses

State Government Roles



- ❧ **Build culture that promotes entrepreneurship**
- ❧ **Plant seeds early in education**
- ❧ **Promote entrepreneurship**
- ❧ **Speed IP transfer from Universities**
- ❧ **Speed financing for new starts: seed capital, angel finance, and venture capital**
- ❧ **Explore state strategic finance: Ohio's Third Frontier**
- ❧ **Build on regional advantages/knowledge bases**

Bolster Existing Businesses



- ❧ Employers and employees are here
- ❧ Source of most employment for >10-15+ years
- ❧ Most firms have commitment to state, to suppliers, and to markets
- ❧ General or industry-specific help is more efficient and less costly

Efficient and Effective Targeting



- ❧ **Industrial Clusters:** Geographic concentrations of interconnected businesses, suppliers, service providers, and supporting coordinating organizations

- ❧ **Strong Clusters:**
 - ❧ Foster innovation through knowledge flows and spillovers
 - ❧ Boost new enterprise formation and survival
 - ❧ Enhance productivity, income levels, and job growth
 - ❧ Positively influence regional economic performance

Examples of Clusters



- ❧ **Silicon Valley (many)**
- ❧ **Vermont Artisanal Cheese Industry (50)**
- ❧ **Wichita Aviation Cluster (200)**
- ❧ **South Carolina Auto Cluster (125)**
- ❧ **Colorado Cleantech (1500)**
- ❧ **Wisconsin: Bioscience, Energy, Power and Controls, and Water Technology**

Cluster Development



- ❧ Identify existing clusters of activity; don't create them
- ❧ Led by the business sector, not government
- ❧ Use data and analysis to target
- ❧ Leverage cluster-relevant pre-existing approaches, programs and initiative
- ❧ Invest state resources in key clusters

Milwaukee Water Cluster



- ❧ **Identified assets**
 - ❧ Firms, researchers, NGOs, growth market
- ❧ **Built privately led organization: Water Council**
- ❧ **Focused on talent: existing and future**
- ❧ **Created buzz**
- ❧ **Created NSF Industry/University Research**
- ❧ **Engaged local foundations**
- ❧ **Seeking state assistance**
- ❧ **Examining markets, including IA**
- ❧ **Expand definition of region**

Energy, Power, and Controls Cluster



- ❧ Identified seeming cluster: 600-700 firms
- ❧ Documented its existence: 55,000+ workers
- ❧ University led: DOE research center for joint industry/university research = WERC
- ❧ Multiple engagements
- ❧ Partner with Water and Bioscience
- ❧ Seek federal funding and state funding

Bioscience Industries



- ❧ 27 Different NAICS Industries
- ❧ 647 firms and 751 establishments
- ❧ Employment: 28,389 (private + academic)
- ❧ \$1.65B payroll (2009)
- ❧ Economic Impact (estimated)
 - ❧ 72,240 total jobs
 - ❧ \$6.8B in income (2009)

Quiz



❧ **What metropolitan area of Iowa contributes the most to Gross State Product?**

Iowa Clusters I



- ❧ **Analyze existing interrelated business groups**
- ❧ **Assess strengths**
- ❧ **Assess barriers to growth**
- ❧ **Assess leadership within each**
- ❧ **Seek to strengthen institutions, networks, and regional economies that support business activity to address company needs collectively, not individually**
- ❧ **Foster entrepreneurship also**

Iowa Clusters II

Guesses as to clusters– actual topics need to be analyzed



❧ Insurance

❧ Manufacturing

❧ Food Processing (21% of manufacturing)

❧ Industrial Machinery (17% of manufacturing)

❧ Advanced Manufacturing

❧ Biofuels

❧ Meteorology

❧ Organic Farming

❧ TBD

Some State Cluster Initiatives



- ❧ **Make clusters central component of state ED**
- ❧ **Support cluster concept and identification**
- ❧ **Financially support key clusters; bonding for innovation (Ohio)**
- ❧ **Work with regions to promote clusters**
- ❧ **Invest in universities for innovation**

Conclusion



- ❧ **Keys to Growth:**
 - ❧ **Existing firm successes**
 - ❧ **Growth of new firms and their success**
 - ❧ **Minimize efforts at attraction**
 - ❧ **Most state attraction has been sale of existing companies to outside firms**

Quiz



❧ **What concentrations of companies, suppliers, supporters come to mind first as potential clusters to support in Iowa?**

Critical Component: Talent



❧ Talent creation

❧ Talent attraction

❧ Talent retention

Demographic changes/Global competition/Skills shortages

❧ Help employers become more competitive

❧ Best companies/ Flexibility/ Engagement/ Diversity

Economic Success



- ❧ **Complex**
- ❧ **Require collaboration**
- ❧ **Requires examination of alternatives**
- ❧ **Requires bets to be placed**
- ❧ **Requires willingness to change**
- ❧ **Requires action: the world is changing**