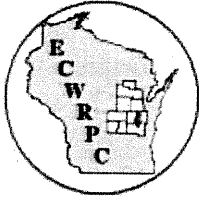


Northeast Wisconsin (NEW) Economic Opportunity Study

www.neweconomyproject.org

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EXECUTIVE SUMMARY

The Fox Valley Workforce Development Board, Inc. and the Bay Area Workforce Development Board, Inc. commissioned NorthStar Economics, Inc. to conduct Phase III of an economic opportunity study (EOS) to determine how to halt the deteriorating employment trends in their service areas in Northeast Wisconsin. The outcome of the study is to provide an impetus to develop policies geared toward a prosperous economy. The Boards realize that workforce development and economic development are interrelated and interdependent for a strong, creative economy.

Phase III involves generating an economic development strategy for seventeen counties in Northeast Wisconsin (NEW). Phase III builds upon work done in Phase I by the East Central Wisconsin Regional Planning Commission and in Phase II by UW-Extension and UW-Madison Department of Agricultural and Applied Economics.

Phase III analysis identified economic development strengths and challenges in NEW and constructed a strategic plan to meet the challenges based upon the assets in the region. The findings and recommendations are summarized below as are the concepts that shaped the strategic economic development plan and the strategies themselves. The full report includes a discussion of the analysis and the tactics and action steps that pertain to each strategy.

Premise

The model for future economic prosperity has changed. In the previous model (Old Economy) the production of goods was based upon proximity to raw materials and limited distribution channels. Abundant labor chased growing businesses. Capital supplanted labor to increase productivity and, in turn, profits and wages.

The new model (New Economy) is based on ideas, creativity, and innovation. Now successful businesses chase a scarcity of skilled workers. Skilled workers are attracted to places with high qualities of life and rich cultural and recreational environments.

Old Economy

The Old Economy was based upon a competitive cost race to the bottom to secure and hold markets. The competition has become so fierce that it has constricted community wealth and the means to supply government services and maintain a high quality of life. NEW needs to abandon this economic development model.

New Economy

The New Economy is based upon knowledge and abundance theory, the concept that collaboration will grow the pie sufficiently large enough to serve an ample piece to everyone. A skilled workforce is imperative in this economic model. Creativity and innovation coupled with entrepreneurship and risk capital generate high value-added products. These products yield higher margins, better pay, and more community wealth. NEW needs to embrace this economic development model.

Gap

NEW lacks a sufficiently skilled workforce to operate in the New Economy. NEW workers must advance in education and training. Furthermore, because of inherent demographics, NEW must attract skilled workers to the region. Skilled workers are attracted to culturally rich environments. NEW does not have an image of such an environment. It is also struggling with paying for community services and maintaining its cherished high quality of life.

Task

NEW must move to a New Economy model. In order to do that, it needs to: 1) raise the skill level of its workforce, 2) create high value-added products, 3) collaborate across all sectors, 4) plan economic development for the region, and 5) promote an attractive image to retain and attract skilled workers and New Economy businesses. NEW needs to build New Economy industry clusters based upon the existing industry set and create new industries in the region.

Challenges

NEW has three primary economic challenges: tightening labor market, falling relative per capita income levels, and unfavorable educational attainment levels. There is a global scarcity of talented labor, as indicated by the increasing spread in earnings by education attainment. Given that the New Economy, one based on knowledge, is dependent upon talented workers, educational attainment becomes increasingly important in the future. Higher skilled workers command higher incomes. Skilled workers are attracted to communities with rich working and living environments. NEW needs to attract skilled workers to meet the needs of industry and raise per capita incomes.

Further Challenges

- Data and information gathered in Phase III (CEIGS, survey data, interviews) indicate a mixed portfolio of the local assets and knowledge of drivers of the New Economy. On one hand, NEW possesses some of the basic building blocks for the New Economy – quality of life and recreational amenities. On the other hand, the region is falling behind in several critical areas that are essential drivers of the New Economy – brain power, capital, innovation and entrepreneurship.
- There is a disconnect between the existing economic views and mindsets in NEW and the factors required to ensure economic prosperity in the New Economy. Much of the region remains in an economic development construct that is a cost race to the bottom. Moreover, the region looks to big business and government as the primary drivers of the economy and shies away from free markets, when, in fact, most jobs are created by small businesses and the very engines of growth in the New Economy – brain power, risk capital, entrepreneurship, and technological innovation – are all free market based.
- There is large frustration in NEW with the number and disparate activities of governmental units. The parochialism that permeates the region is costly and, at times,

counterproductive. NEW lacks a common vision of its economic future and a collaborative operating model.

- There is limited cultural diversity in NEW. The conformity of the region dampens creativity, open discussions, and the advances that develop from the melding of various best practices, be they in business, government, or other areas of the community.
- NEW and much of the greater Midwest has an image of being a wholesome but dull place. It is perpetuated by the national press and exists in the mindsets of Hollywood and Wall Street. That image is somewhat internalized, but also generally accepted by businesses and worker talent outside the region, making it difficult to retain and attract talent to the region.

Recommendations

- NEW must abandon the economic strategy of a cost race to the bottom and embrace the concept of abundance theory – that by collaborating, the pie will increase with everyone getting a larger piece. This is best and most efficiently accomplished through proactive collaboration across all sectors in the region – business, labor, government, education, and the general populace.
- NEW needs to reengage the very things that made the regional economy vibrant in the past and what will make its economy vibrant in the future – risk-taking, capital, and technological innovation – the fundamental building blocks of the New Economy.
- In order for disparate groups to work together, they need a common vision. NEW's vision should be bold and all encompassing. The region should initiate an economic development plan that brings all facets of the region's resources together while maintaining the quality of life in the region.
- Proactive collaboration will require an opening up of the region's mindset both socially and culturally. Cultural diversity is a key to the melding of fresh ideas, best practices, and collaboration. It is what has worked in the country and the region in the past and it will be what works in the future.
- NEW must also develop both an internal and external image that promotes the resource and lifestyle benefits in the region. Inventorying and promoting the richness of the region's assets will help to retain and attract businesses and workers to NEW.

Concepts

The unifying concepts that underlie the economic development strategies listed below involve a movement to New Economy building blocks and proactive collaboration across NEW. Initiated together, these concepts will set the foundation for economic prosperity in the region.

The New Economy building blocks are brain power, risk capital, technological innovation, and entrepreneurship. These New Economy building blocks must be incorporated within the mindset of abundance theory. Business, labor, government, education, and the communities across NEW must all work actively together under a common vision to harness the resources available within the region (and some outside the region) to drive future economic growth.

The five strategies developed for the NEW Economic Opportunities project are:

- Strategy I – Move to a New Economy Construct
- Strategy II – Move to a Collaborative Economic Development Construct
- Strategy III – Change Social and Cultural Mindset to Risk and Collaboration
- Strategy IV – Change Regional Image
- Strategy V – Promote Industry Cluster Development

Installing and instilling these strategies will not be accomplished quickly or suddenly. A long-term action plan needs to be developed, the pieces of which are proposed in the full report. Adhering to the plan does not mean it can't be altered as situations change in the region. It means that continual and lasting effort must be applied over the course of the next ten to twenty years to monitor NEW's economy, comparatively assess its trends, and take proactive collaborative actions to adjust the path of the region's success.

The industry clusters that should be expanded and built in NEW are:

BioRefinery/Paper Products	BioMass/Agriculture/Food Processing
Printing and Publishing	Maritime Vessels and Equipment
Insurance Products	Tourism
Production Technology	Specialty Crops
Nutraceuticals	Automated Manufacturing Technology
Machine Tool Design	Education and Workforce Training Services
Healthcare	New Economy Building Block Created Products

Most of the cluster industries listed above should form up into super clusters. That is to say, the cross cluster opportunities can be immensely larger than those presented within a singular particular cluster. For example, the Printing and Publishing cluster should integrate with the Paper Products cluster and the Education and Workforce Training cluster to develop and produce a hybrid slate of goods and services that will expand the parts substantially. The BioRefinery/Paper Products cluster, for example, can triple the value of the Paper Products cluster.

The main strategies for the region are applied to the subregions to specify what each subregion can contribute to the regional plan.

Summary

Workforce development and economic development are interrelated and interdependent. The strategic economic development plan presented here is one based on the New Economy drivers of innovation, collaboration, and culture. Supplanting an economic development strategy of a cost race to the bottom with one of abundance theory based upon free market building blocks of brain power, risk capital, technological innovation, and entrepreneurship is the key to its economic prosperity in the future.

Ultimately, NEW's economic prosperity is the responsibility of the businesses and citizens in the region. The talent and the resources required for future prosperity are available to NEW. They just need to be focused under a common vision, steered by strong leadership, and driven by the natural, human, capital, and creative resources available to NEW.