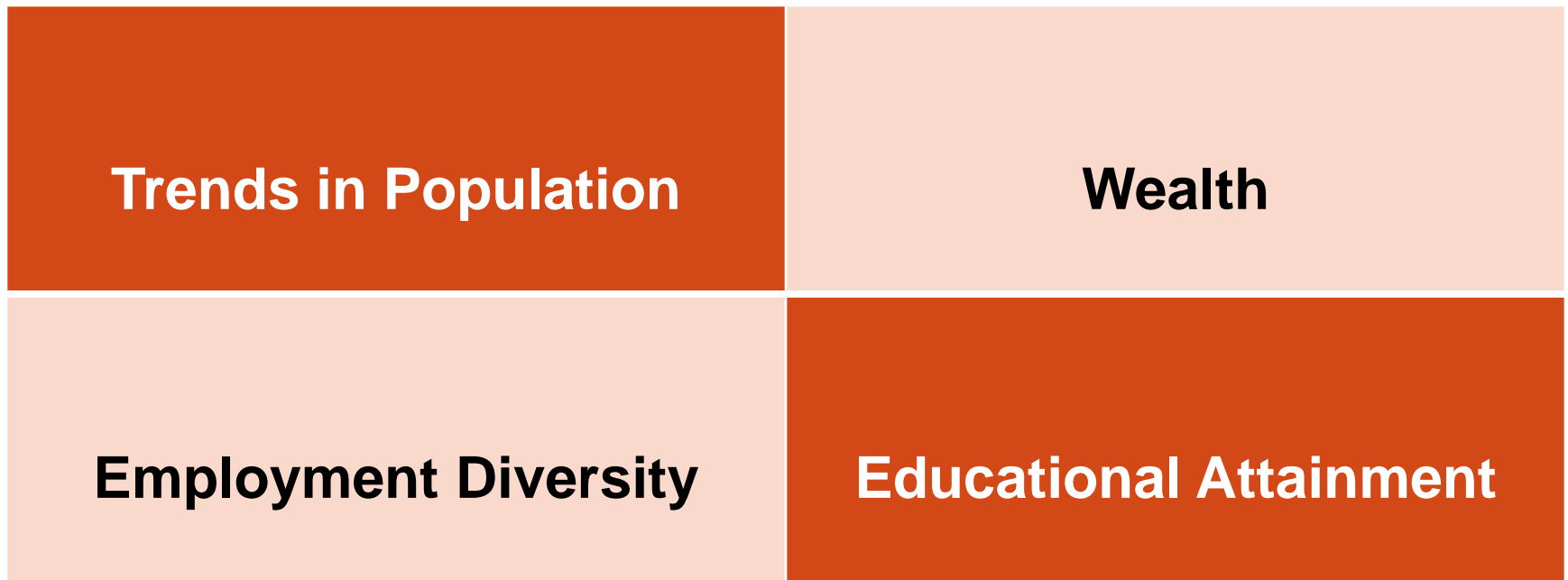


# Best Practices in State & Local Economic Development: Policies and Activities

For a 9-26-11 Presentation to the Indiana Legislative Interim Study Committee on Economic Development

Thayr Richey, President  
Strategic Development Group, Inc.  
800-939-2449. [trichey@sdg.us](mailto:trichey@sdg.us)

# SDG's Economic Vitality Matrix



# Midwestern States Continue to Adapt to a Post Semi-Skilled Manufacturing Economy.

# The New Economy

- Fundamental changes in employment swept the Midwest over the last 30 years:
  - Fewer manufacturing jobs
  - Lower manufacturing wage rates
  - Higher skill and education requirements for manufacturing workers
- Poses the question: What will replace the manufacturing sector as the primary provider of middle-class jobs?

# The New Economy

- Manufacturing represents a smaller percent of **overall jobs**.
- The U.S. is moving toward an economy driven by knowledge-based jobs (including those in manufacturing) rather than semi-skilled jobs.

# The New Economy

- A globalized economy.
- The struggle to reduce manufacturing costs.
- The importance of productivity.
- A competition between businesses in developed countries and those in developing countries.
- The rise of the service sector.

# Surrounding States: Ohio

A “plan to bolster business and create better-paying jobs.”

The new strategic plan for economic development, with the intent on returning Ohio to prosperity.

- Targeting 9 industries:

1. Advanced energy.
2. Aerospace and aviation.
3. Agriculture and food processing.
4. Bioscience and bioproducts.
5. Corporate and professional services.
6. Distribution and logistics.
7. Instruments, controls and electronics.
8. Auto and parts manufacturing.
9. Polymers and advanced materials.

# Surrounding States: Michigan

- “Michigan needs to abandon its strategy of “picking winners and losers” with expensive tax incentives.”
- The MEDC will partner with local economic development groups
- Entrepreneurship and Venture Capital.
- PK-20 education and workforce pipeline that is aligned with key
- Sectors or clusters critical to the economic development of the state
- Established basic employer Retention & Expansion.
- Small Business Development.
- Job posting system.
- Recognize regional differences.

# Surrounding States: Illinois

- Research and Development and Technology Commercialization.
- Export Promotion & FDI.
- Divided the state into 10 regions.
- Promoted and supported regional efforts in economic and workforce development.

# Surrounding States: Kentucky

- Until recently the state was focused primarily on new manufacturing recruitment, offering business climate advantages and incentives.
- This summer started a new economic development planning process.

# Trends in State Economic Development Strategies

- Better focused targeting for business recruitment.
  - E.g. Biomedical cluster.
- Tying incentives more closely to job creation than capital investment.
- More aggressive FDI.
  - E.g. Lt. Governor's trade mission to Japan.
- Recognition of regional differences and needs.

# Trends in State Economic Development Strategies

- Greater emphasis on job-ready high school graduates.
- More technical skills at community colleges.
- Entrepreneurship programs.
- Small-midsize company support programs such as marketing support and workforce development.
- Rural development initiatives.
- University-based technology transfer as a stimulus for new business development.
  - Incubators, SBIR, etc.

# The Difficulty of Moving away from Manufacturing

- From 1950 through today, manufacturing jobs enable a person with minimal skills and education to support a middle-class life.
- Indiana's annual average manufacturing wage (2009) is over \$71,000.

## However, Staying with Manufacturing as the Major Strategy Is also Problematic

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The trend is for fewer manufacturing jobs, and manufacturing represents a smaller percentage of the state's employment.

# Trend for Manufacturing Jobs In Indiana

Year	Manufacturing Employment	Percent Manufacturing of Total Employment
1970	717,420	31.30%
1980	665,874	25.30%
1990	648,151	21.00%
2000	697,911	19.00%
2007	564,077	15.10%
2009	453,904	12.00%

Source: STATS Indiana; U.S. Bureau of Economic Analysis

# Indiana Communities Are Trying New Approaches

Focus	Example
Recruiting young knowledge-based workers (the creative class).	The Bloomington downtown model.
Out-of-state partnerships.	Big 10 Communities. Michiana Partnership.
Regional approaches to economic development.	Northeast Indiana Regional Partnership. Hill Country Indiana.
Greater focus on targeting prospective business sectors.	Michiana Partnership.
Local lifelong learning	Switzerland County's LL Center.
Tech-driven entrepreneurship.	Scottsburg's Mid-America Science Park.

# Regionalism Is Hot

1. Econ. Dev. Consortium of Southwest Indiana.
2. South Central Indiana Econ. Dev. Group.
3. Indy Partnership.
4. Energize ECI.
5. SE Indiana Growth Alliance.
6. NE Indiana Regional Partnership.
7. Michiana Partnership.
8. Radius Indiana.
9. I-74 Business Corridor.
10. Midwest Indiana Economic Development.
11. N. Central Indiana Econ. Dev. Partnership.
12. Northwest Indiana Forum.
13. Accelerate West Central Indiana.

# Defense and Security as a Basic Employer

## Martin County

Per Capita Personal  
Income (annual) in  
2009

\$31,871

Nonfarm average  
annual wage

\$79,448

# NSA Crane Has Critical Impact on the Region – Note: Data from 2007 Study

- Wages earned by NSA Crane workers are among the highest in Indiana.
  - Approximately twice the average wage rate in its primary labor region.
- Direct and indirect NSA Crane jobs constitute:
  - 22.7 percent of Martin County employment.
  - 12.9 percent of Greene County employment.
  - 8.8 percent of Daviess County employment.
- NSA Crane wages comprise:
  - 17 percent of Bedford wage income.
  - 46 percent in Bloomfield.
  - 67 percent in Loogootee.

# Economic Development Challenges for Indiana

1. Maintaining and creating public infrastructure.
2. Balancing a competitive business climate with the ability to serve public needs.

# Discussion

1. How will we maintain the “Crossroads of America’s” infrastructure?
2. Picture the Indiana economy in 2016, in 2025:
  - a. Per capita personal income.
  - b. Major employment sectors.
3. What should the General Assembly do to help the state begin moving toward the U.S. average per capita personal income level?
4. Other issues.

# Thank You

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Thayr Richey  
Strategic Development Group, Inc.  
800-939-3449  
trichey@sdg.us