

The SDG-IEDA 2008 Survey of Local Economic Development Professionals

Executive Summary

In late 2008, the national housing crisis and subsequent recession significantly altered the global economic environment, and the effects were also felt in Indiana's state and local economies. Every community in Indiana – and nation – has been impacted by the unprecedented economic downturn, but manufacturing-dependent communities in Northern Indiana were particularly hard hit. When President Obama unveiled his economic stimulus plan in Elkhart, Indiana in early February 2009, the county had the highest unemployment rate in the nation.

For nearly 18 years, Strategic Development Group, Inc. (SDG) has served as a trusted advisor to governmental organizations and both not-for-profits and for-profit businesses providing research and planning solutions. Since 2006, SDG has asked Indiana's local economic development professionals to participate in an annual survey to better understand the current challenges they face. In undertaking this annual survey of local economic developers in 2008, SDG – working with IEDA – gained insight into the impacts of the current recession on local economies.

The purpose of the survey was threefold as it aimed to show:

- 1) how local economic developers perceive their local economies;
- 2) how LEDOs assess infrastructure and quality of life assets; and
- 3) what current professionals in the field are emphasizing and how they see the future.

The findings provide insight into how local economic developers are adapting to the transitioning global, regional, and local economies and how their perceptions have changed over the past year. Surprisingly, these perceptions did not change as drastically as might be expected given the recession. Economic developers still expressed greater confidence in their local economies than the state and nation. However, expectations for economic growth were noticeably more modest than in previous years.

Subjects and Methods

In previous years, SDG attempted to survey at least one local economic development organization in each of Indiana's 92 counties. For 2008, SDG partnered with the Indiana Economic Development Association (IEDA) to expand the distribution of the survey to a larger statewide sample. IEDA sent out email messages to their members inviting them to participate in the 2008 LEDO Survey. SDG contacted additional local economic development organizations through a combination of phone and email messages to encourage participation from counties that had not responded. These contacts were made in December 2008.

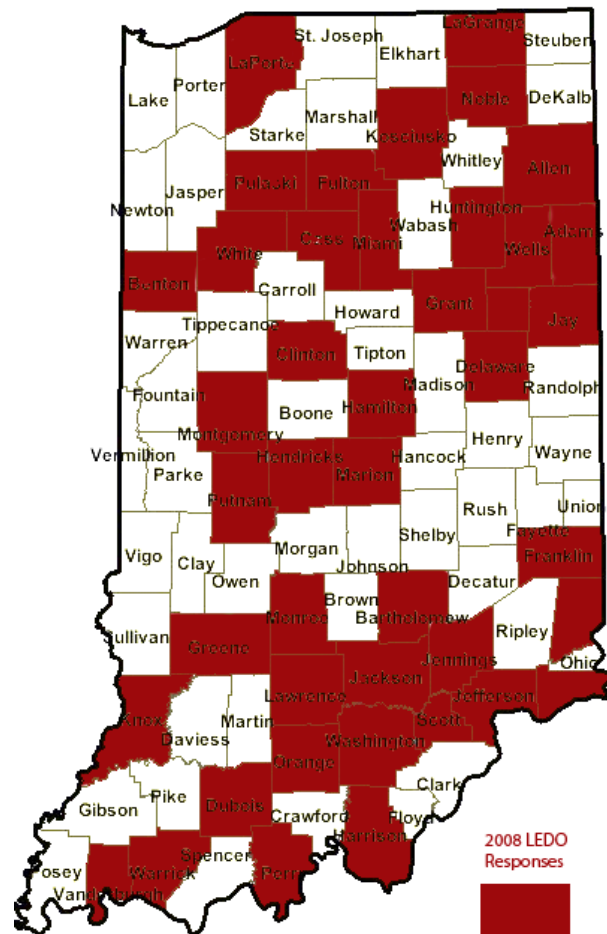
In total, 57 submissions were received representing 45 of the 92 counties, plus responses from 7 organizations that serve multi-county regions. Figure 1 illustrates the counties with economic development professionals who responded to the 2008 questionnaire.

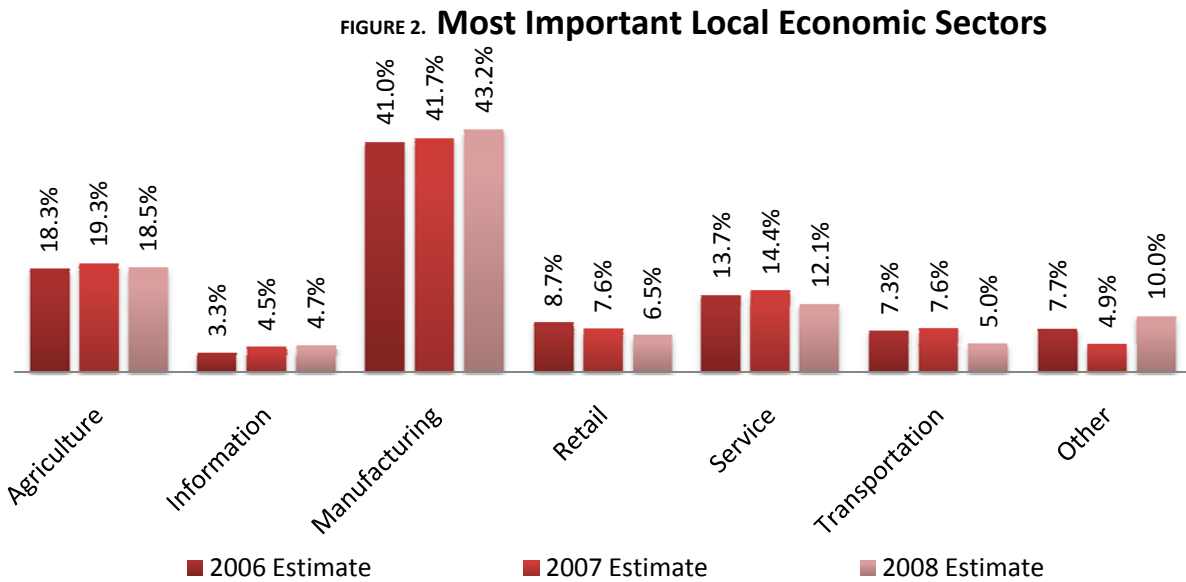
The responses to SDG-IEDA's 2008 LEDO Survey represent a self-selected sample of local economic development professionals. The findings discussed in this report are based on the perceptions and opinions of only a fraction of Indiana's local economic development professionals. While the responses shared in this report may not be based on a statistically valid survey sample, they do reveal the challenges and successes that local economic developers encounter in their day to day work.

Current Economic Snapshot

For the third consecutive year, the manufacturing, agriculture, and service industries were ranked as the most important local economic sectors. The number of respondents with the perception of manufacturing as an important local industry grew 1.5% between 2007 and 2008, making it the only sector viewed as increasingly important besides the "other" category, which grew 5.1% in the same period. Among the most frequent responses in this "other" category were education/healthcare and life sciences, which comprised 2.9% and 1.8% of the total share respectively. The information sector continues to be viewed as an increasingly important industry.

FIGURE 1. LEDO Responses in 2008





The agriculture, retail, service, and transportation sectors were all regarded as less important to local economies in 2008 than they were in 2007. Like last year's results, these perceptions contradict national trends. According to the most recent Census Bureau data, manufacturing is the slowest-growing sector and the only one in our survey with shrinking numbers of paid employees nationwide.¹ The reality that local economies around the state are viewed as being increasingly reliant on manufacturing could pose a problem in the long run, as national trends present a pessimistic outlook for this sector. However, because different regions hold different competitive advantages, local economic developers must continue to determine which sectors will provide the best mix of short- and long-term economic growth.

Future Economic Development Perspective

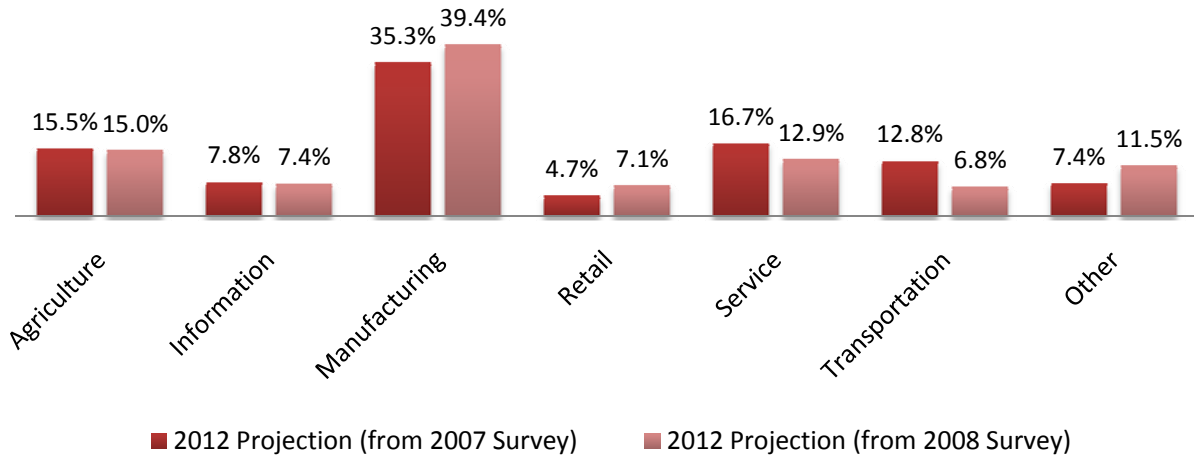
Economic developers were asked to anticipate what the most important economic sectors in their community would be in 2012. By comparing their answers with the results of last year's survey, valuable insight can be gained into the changing perceptions of local economies' long-term outlooks statewide.

Manufacturing is still expected to be the most important economic sector in 2012 after being identified as vital by 39.4% of respondents, an increase of 4.1% from the previous year (this spike follows a decrease of over five percent between 2006 and 2007). This increase reveals that the economic downturn has caused economic developers to become more skeptical about the possibility of growth in other sectors, such as information and service, over the next five years. As a result, there is a growing

¹ 2002 Economic Census: Comparative Statistics for United States. Information for agriculture could not be accessed at this link. <http://www.census.gov/econ/census02/data/comparative/USCS.HTM>

perception that manufacturing will continue to be the dominant driving force for local economies in 2012. Still, this sector is still not predicted to be as important to local economies in 2012 as it is today.

FIGURE 3. Important Economic Sectors: 2012 Projections



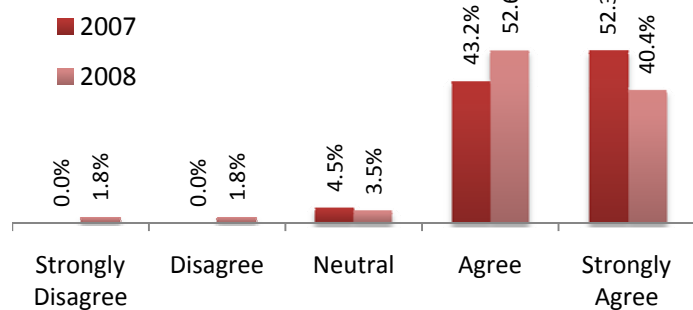
The service sector continues to be projected as the second most important economic sector in 2012 and agriculture the third most important. The service, information, and transportation sectors all experienced significant declines in number of respondents expecting these to be important in 2012. On the other hand the retail and “other” sectors had higher responses in 2008. The spike in responses for “other” came from anticipation that health care and education will become more important fields in the near future.

These results indicate that manufacturing, the primary source of job development in Indiana over the twentieth century, will continue to be viewed as a vital source of economic activity during the global economic turndown. LEDO’s are also looking for new sectors to emerge in the coming years as jobs in service and transportation decrease and open the door for positions in the health care and education fields.

Local Basic Employers and Business Conditions

In 2008, developers continued to realize that the global and national economies impact the local businesses they serve (93% of respondents agree that local basic employers are affected by the global economy). By understanding global and national trends and incorporating them into local economies, communities are better prepared to transition into the increasingly inter-connected economic web.

FIGURE 4. Are Local Basic Employers Affected by the Global Economy?



The number of respondents with the impression that their local business environment was healthy dropped significantly between 2007 and 2008 (from 72.7% to 36.9%); more than twice as many people asserted that the business environment is unhealthy. This plummet could be the result of local spillover from the national recession, but could also be because substantially fewer basic employers are working with regional partners in the areas of training, outsourcing, and marketing. While nearly 60% of respondents indicated that local basic employers were participating in such practices in 2007, less than 45% reported the same in 2008. One interesting trend is the growing number of respondents who believe that the cost of doing business in their community is lower than the state average (this figure jumped 25% over the last two years from 48% in 2006 to 73% in 2008).

FIGURE 5. 2007 vs. 2008 Local Business Conditions Perceptions

| | Strongly disagree | | Disagree | | Neutral | | Agree | | Strongly agree | |
|---|-------------------|-------|----------|-------|---------|-------|-------|-------|----------------|------|
| | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 |
| <i>Local basic employers are working with regional partners in areas such as training, outsourcing and marketing.</i> | 0.0% | 3.5% | 11.4% | 21.1% | 29.5% | 31.6% | 45.5% | 36.8% | 13.6% | 7.0% |
| <i>The overall business environment in my community is healthy.</i> | 2.3% | 0.00% | 11.4% | 31.6% | 13.6% | 31.6% | 63.6% | 35.1% | 9.1% | 1.8% |
| <i>The cost of doing business in my community is higher than the state average.</i> | 11.4% | 15.8% | 63.6% | 57.9% | 15.9% | 17.5% | 6.8% | 8.8% | 2.3% | 0.0% |

Developing Community Infrastructure

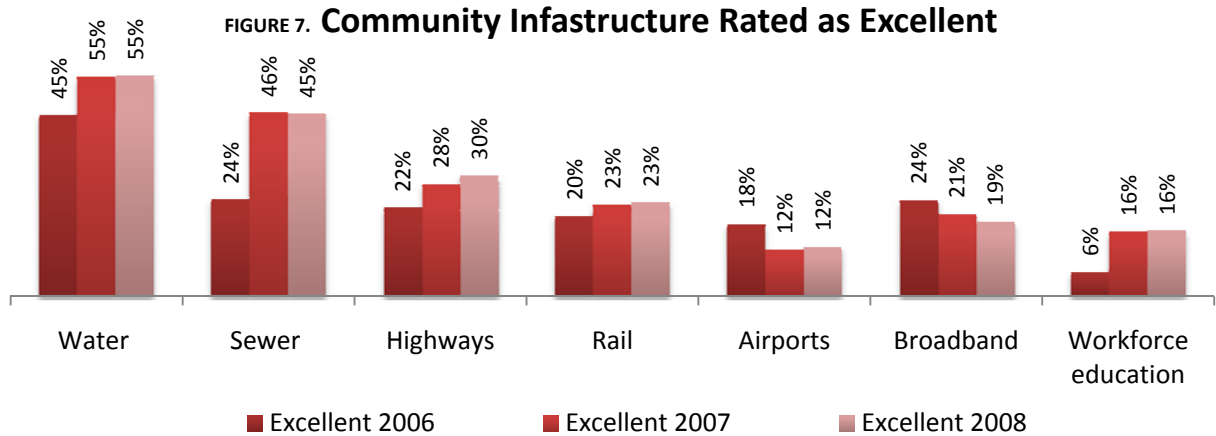
One way a community can leverage its resources is by building a solid infrastructure, which is part of the foundation of a strong local economy. Without certain basic infrastructures, business retention, expansion and recruitment become difficult. Developers were asked to rate the quality of the basic infrastructures in their community. The results raised concerns about the vitality of the community they serve.

FIGURE 6. 2008 Conditions of Community Infrastructure

| | Poor | Fair | Average | Good | Excellent |
|-------------------------------------|-------|-------|---------|-------|-----------|
| <i>Water</i> | 2.4% | 2.4% | 7.1% | 33.3% | 54.8% |
| <i>Sewer</i> | 2.4% | 14.3% | 14.3% | 23.8% | 45.2% |
| <i>Inter-urban highways</i> | 0.0% | 10.0% | 32.5% | 27.5% | 30.0% |
| <i>Rail</i> | 2.3% | 20.9% | 9.3% | 44.2% | 23.3% |
| <i>Airports</i> | 14.6% | 26.8% | 24.4% | 22.0% | 12.2% |
| <i>Broadband telecommunications</i> | 14.0% | 16.3% | 25.6% | 25.6% | 18.6% |
| <i>Workforce education</i> | 0.0% | 14.0% | 37.2% | 32.6% | 16.3% |

In 2007, over 70% of developers rated water, sewer, rail and inter-urban highway infrastructures as performing between average, good and excellent. Water received the highest rankings, with 54% of the respondents noting it as excellent. In 2008, the ratings were similar, with each of these areas receiving

either a slight increase or little to no decrease. While it is clear that these infrastructures are vitally important to economic growth, it is noteworthy that airports, broadband telecommunications, and workforce education continue to be ranked as average or below average by a majority of respondents.

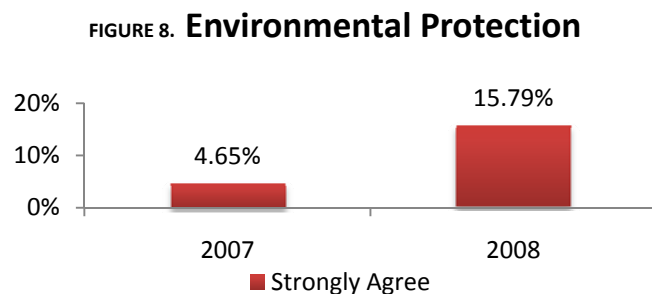


As the global economy maneuvers itself into local communities, access to information is crucial to the local employers' ability to compete in the new economy. Those communities that invest in information infrastructure have an advantage. Broadband telecommunications and workforce education percentages ratings remain a concern. 55.9% of local economic developers rated broadband telecommunications as average, fair or poor (an increase of 12% since 2006). Similarly, the perceptions of workforce education have not improved much since 2006 (51.2% of respondents rated workforce education as average or below average in 2008). These results indicate that barriers still exist for broadband and workforce education.

Quality of Life

Basic infrastructure is not the only issue of concern to economic developers. As the country's workforce becomes more mobile and information sharing increases, a community's quality of life has become an important economic development factor.

Local developers were asked to determine to what extent quality of life assets made their community attractive to prospective businesses, residents and visitors. Overall, the majority of developers agreed that K-12 education and protection of the environment were assets that helped attract business, people, and tourists to their community. Those who strongly agree that protection of the environment is an important quality of life asset increased substantially between 2007 and 2008 as an important quality of life asset. K-12 education was seen as an important asset for economic development.



Other less tangible quality of life issues also contribute to a community's ability to attract residents. Potential residents are attracted to communities that provide a diverse mix of social experiences. Developers were asked to rank these areas with regard to whether or not they serve as attractions for potential businesses and residents. In 2008, local economic developers ranked all quality of life assets as influential in attracting people to their area. These results are not surprising, because the "creative class" of young, creative professionals seek places that offer such diversity.

FIGURE 9. 2008 Quality of Life Assets

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|-------------------|----------|---------|-------|----------------|
| <i>Downtown Vitality</i> | 1.8% | 24.6% | 24.6% | 36.8% | 12.3% |
| <i>Primary & Secondary Education</i> | 0.0% | 10.5% | 21.1% | 50.9% | 17.5% |
| <i>Environmental Protection & Natural Resources</i> | 0.0% | 7.0% | 35.1% | 42.1% | 15.8% |
| <i>Arts & Culture</i> | 5.3% | 10.5% | 36.8% | 33.3% | 14.0% |
| <i>Range of Housing Choices</i> | 1.8% | 10.5% | 21.1% | 54.4% | 12.3% |
| <i>Recreation & Entertainment</i> | 0.0% | 7.0% | 19.3% | 59.6% | 14.0% |

In 2008, only 26% of developers disagreed with the notion that downtown vitality impacts a community's quality of life. Similarly, only a few of the respondents disagreed with the statement that arts and culture increases the quality of life in their community (16%).

Economic Development Activities

The previous responses show a relatively detailed status of communities' infrastructures and quality of life assets – from the perspective of the economic development professional. The question that remains is "what activities are LEDOs focusing on?" Respondents to this questionnaire were asked to measure to what degree their organization is active in several areas of economic development.

In 2008, over 70% of LEDO's agreed that they are actively preparing local businesses for the global economy (a jump of nearly 10% from the previous year). Also, many LEDO's continue to put resources into working with regional colleagues to help basic employers in training, outsourcing, and marketing.

FIGURE 10. 2008 Economic Development Activities

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|-------------------|----------|---------|-------|----------------|
| <i>Helping basic employers take advantage of the global economy</i> | 0.0% | 5.3% | 22.8% | 63.2% | 8.8% |
| <i>Helping workers with education and training needs</i> | 0.0% | 12.3% | 8.8% | 52.6% | 26.3% |

FIGURE 10. 2008 Economic Development Activities continued

| | | | | | |
|---|------|-------|-------|-------|-------|
| <i>Working with regional colleagues to help basic employers in training, outsourcing, and marketing</i> | 0.0% | 8.9% | 5.4% | 57.1% | 28.6% |
| <i>Increasing Downtown Vitality</i> | 1.8% | 12.3% | 35.1% | 40.4% | 10.5% |
| <i>Focusing on Primary & Secondary Education</i> | 1.8% | 14.0% | 26.3% | 49.1% | 8.8% |
| <i>Protecting the Environment and Natural Resources</i> | 3.5% | 12.3% | 54.4% | 26.3% | 3.5% |
| <i>Promoting Arts & Culture</i> | 3.5% | 17.5% | 42.1% | 29.8% | 7.0% |
| <i>Providing a Range of Housing Choices</i> | 3.5% | 21.1% | 49.1% | 19.3% | 7.0% |
| <i>Providing Recreation & Entertainment</i> | 5.3% | 17.5% | 43.9% | 31.6% | 1.8% |

As with last year's survey, we asked participants to estimate the amount of time they spend working on collaborations with regional organizations, state government and local social service groups. The results indicate that working with regional and state government continues to be a standard practice for many organizations. LEDO's work with local social service organizations less frequently, but have begun to do so more regularly over the last year (64.3% reported frequently or always working with social service organizations in 2008 as opposed to 56.9% in 2007). Among the 24 respondents who collaborate in "other" areas, clients include federal agencies and universities.

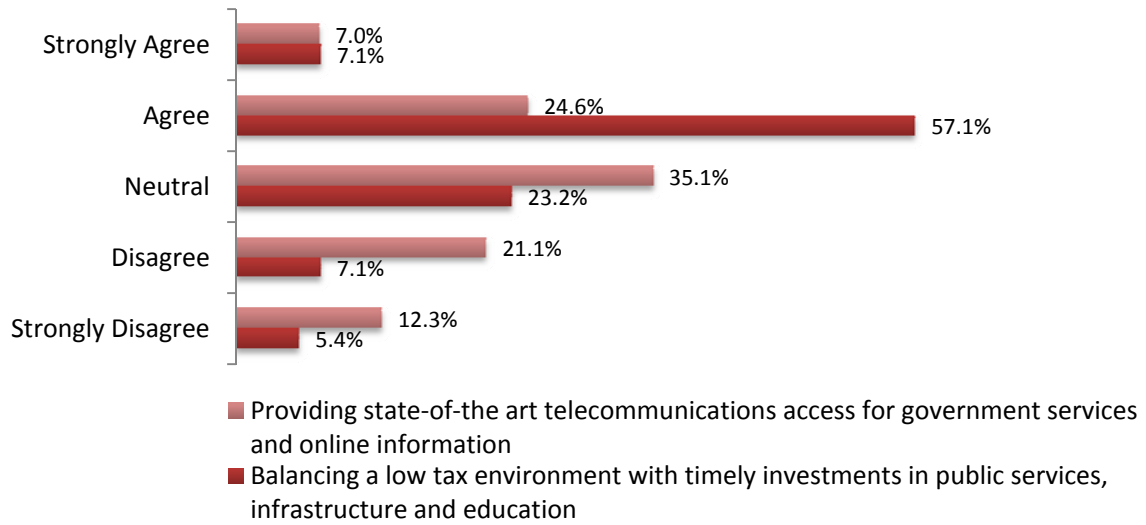
FIGURE 11. 2008 Regional Collaborations

| | Never | Rarely | Frequently | Always |
|---|-------|--------|------------|--------|
| <i>Regional Governments</i> | 1.8% | 19.3% | 59.6% | 19.3% |
| <i>State Government</i> | 1.8% | 15.8% | 64.9% | 17.5% |
| <i>Local Social Service Organizations</i> | 1.8% | 33.9% | 42.9% | 21.4% |
| <i>Other</i> | 0.0% | 12.5% | 58.3% | 29.2% |

Role of Government

Local governments continue to participate in a more direct role than other levels of government. More than 64% of the respondents agreed that local governments are effective in balancing a low tax environment while providing timely investments in infrastructure and other services. However, there is much more variation in responses about whether local governments provide telecommunications for government services and online information effectively. More respondents disagreed when asked if their local government performed well in this area (34.1%) than agreed (31.6%), with the remainder maintaining neutrality.

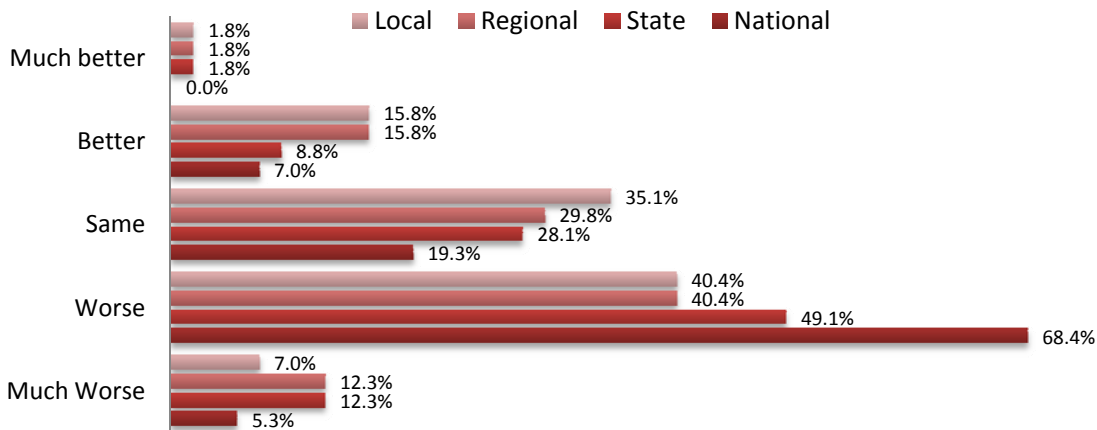
FIGURE 12. Role of Government in Economic Development



Looking to the Future

Not surprisingly, respondents overwhelmingly predicted that in the next six months, all economies (local, regional, state, and national) will stay the same or get worse. The outlook for the national economy is the most negative, with 93% of respondents expecting it to worsen or remain unchanged. While still bleak, respondents have slightly more optimistic views of local and regional economies' outlooks, with over 17% expecting these to fare better in the near future. The state economy, meanwhile, is viewed as slightly more promising than the national economy, but not by much (3.6% more expect the state economy to fare better over the next half year). Though the overall differences among local, state, and national economies may seem significant, the consistent perception is that economies from top to bottom will struggle over the next six months.

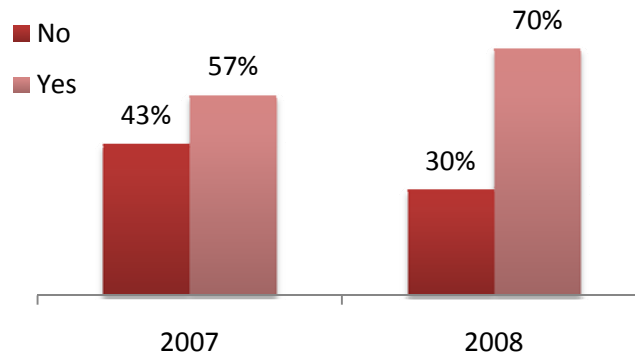
FIGURE 13. Six Month Economic Outlook



Planning Ahead: Written Strategic Plans

Respondents were polled to see if their organizations had a current written strategy. While a significant percentage (30%) report not having such a document, the number of respondents with a written strategy increased by 13% from 2007 to 2008.

FIGURE 14. **Does Your Organization Have a Current Written Strategy?**



Conclusion

The respondents' answers were consistent with the perception that the local, regional, and state economies are being affected by the national recession. One indicator of this conclusion is the steep decline in number of respondents with the perception that their local business environment is healthy. However, it is important to recognize the significant increase in number of organizations with a current written strategy. This increase may indicate that the recession has prompted LEDO's to more carefully plan for the future. As LEDOs create their strategies, it will be important to plan for infrastructure development, which continues to be a problem for many communities.

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