

Making State Growth Strategies Work in the Age of Mobility

Where Does Education and Workforce Development Fit In?



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Key Questions

1. What Trends in the Global Economy and the Innovation Economy are Changing the Dynamics of State / Regional Growth Strategies?
2. The End of 50 Years of “Dream Demographics”, What’s the Next?
3. How Does a State Ride These Trends of Change?
4. Can business, government, civic and educational institutions be sufficiently agile? Can they flex with these Trends of Change?

Outline

1. Today's Global Economy: More than Off-shoring
2. Today's Innovation Economy
3. Globility (or the Pan-National Innovation Economy, PIE)
4. The End of 50 Years of "Dream Demographics", What's the next?
5. Some Important Forces at Work
6. Some Guiding Principles for State / Regional Leaders
7. What's Not Working? Simplistic Solutions for a Complex World
8. Some of Graham's Laws
9. Getting Your Piece of the PIE
10. Discussion

1. Today's Global Economy: More than Off-shoring

Dimensions of Globalization:

- Trade (exports & imports) and Trade Agreements: *UP*
- Investment flows (both ways) : *UP*
- Technology Transfer, Licensing and Intellectual Property Protection: *UP*
- Slicing and Splicing the Value Chain. (Off-shoring /On-Shoring) : *EVERY WHICH WAY*
- Exchange Rates and Currency Policies : *VARIES*
- Talent Flows (brain gains and brain drains) : *UP*

2. Today's Innovation Economy

“Knowledge is the ingredient that underlies the competitiveness of regions, nations, sectors or firms. It refers to the cumulative stock of information and skills concerned with connecting new ideas with commercial value, developing new products and, therefore, ‘doing business in a new way.’ At its most fundamental level, the knowledge-base of an economy can be defined as:

The capacity and capability to create and innovate new ideas, thoughts, processes and products, and to translate these into economic value and wealth.”

Source: World Competitiveness Index

3. Globility (or the Pan-National Innovation Economy, PIE)

Globalization + Innovation = Globility

Why is it different this time?

1. Knowledge explosion (doubling every 10 years)
2. Accelerated exchange of knowledge / ideas due to advanced telecommunications and transportation.
3. Transforming nature of many new discoveries - - transforming health / longevity, lifestyles / work-styles, urban form, value chains, global relationships . .
4. Speed: Reduced cycle time from discovery to development to deployment, across the world.

Globility (cont.)

Why is it different this time?

5. Rapid growth in global brain-power - - global talent-force!
6. Global consumerism that offers market niches at scale economies
7. Without high-level innovation/productivity, the U.S. would be crushed by its "twin deficits" and global recession could follow.

Globility (the process) = international flows of information / ideas, technology, production, capital, people. (How do you make state or regional strategies stick?)

PIE (the outcome) = entrepreneurial dynamism, wealth creation / destruction, churning, relative changes in property values, productivity gainers / losers.

4. The End of 50 Years of “Dream Demographics” What’s the Next?

The Past 50 Years

- “Boomers”: Supply of labor and consumer demand.
- Female Participation rate increase
- Significant gains in post-secondary educational attainment (college education for the masses)
- Immigration

4. The End of 50 Years of “Dream Demographics” (cont.)

The Next 50 Years?

- Productive aging - - longer work lives
- Talent-seeking immigration
- Productivity growth - - adult worker acquisition of knowledge and skills “on the run”; learning in “skillettes”.
- Off-shoring to benefit from abundant “boom demographics” elsewhere in the world
- Retention of well-educated 25 – 34 year olds (the young, the restless and the creative)

5. Some Important Forces at Work

5.1 New Trade Theory: A “New Global Symbiosis” -- U.S. - Asia

U.S.	Asia
<ul style="list-style-type: none">• U.S. grows by consuming stuff.	<ul style="list-style-type: none">• China needs to grow fast by making things; India’s pro-growth policies, since early 90’s; for many Asian countries, exports are more than 50% of G.D.P (In U.S. 12%)
<ul style="list-style-type: none">• Macro policies support low net savings rate (0 – 3%).	<ul style="list-style-type: none">• Asian policy supports high net savings rate (China 44%)
<ul style="list-style-type: none">• High personal / household debt; need to stretch purchasing power.	<ul style="list-style-type: none">• Produces low cost goods of improving quality.
<ul style="list-style-type: none">• Current Account running at \$1/2 trillion/yr.	<ul style="list-style-type: none">• China / Asia buys U.S. treasuries (“Goods for bonds” at \$25 billion / mo.); helps keep down U.S. interest rates.

Some Important Forces at Work (cont.)

New Trade Theory: A “New Global Symbiosis” -- U.S. - Asia

U.S.	Asia
<ul style="list-style-type: none">• Capital inflows keep U.S. productivity up.	<ul style="list-style-type: none">• Asian foreign direct investment in the U.S. - - e.g. Japanese auto transplants. When will China build in the U.S.?
<ul style="list-style-type: none">• Unsustainable trade & public deficits, but no end in sight. U.S. dollar is adjusting downward.	<ul style="list-style-type: none">• Growth is unsustainable without high U.S. consumption and debt and / or Asian domestic consumption growth and savings rate decline.

“The conundrum of today’s imbalanced global economy”, Stephen Roach, Morgan Stanley

Some Important Forces at Work (cont.)

5.2 A new Force: Creative Destruction (Schumpeter)

- ❑ “Innovation Economy” requires constant innovation and technological adaptation in products and services
- ❑ Changes in productivity or trade competition routinely upset traditional comparative advantage, even competitive advantage.
- ❑ Human talent is displaced, then redirected at expanding and higher-value economic needs – “skills and talent on the run” e.g. displaced defense and aerospace engineers & scientists from the 80’s ended up in the .com 90’s boom.
- ❑ New Policy Issue: Agglomeration vs. “Disagglomeration” (Clusters yes / no??)
- ❑ Very difficult for governments / states / metro areas to pick winners but they keep on trying!

Some Important Forces at Work (cont.)

5.3 Slicing and Splicing

- **Slicing: Why Out-sourcing / Off-shoring?**
 - Lower operating costs
 - Improved transportation lowers the cost of distance
 - Advanced telecommunications at low cost
 - Being close to growth market
 - Trade liberalization
 - Education and skills explosion globally

Some Important Forces at Work (cont.)

5.3 Slicing and Splicing

- **Splicing: Why In-sourcing / On-shoring**
 - Being close to fast moving domestic markets
 - Greater control over delivery time
 - Lower inventory costs, in transit
 - R & D growth in U.S. - - proximity / partnerships with universities / and industry e.g. SC: International Center for Automotive Research (significant BMW funding).
 - Better qualified mid-level professionals and managers

Bottom Line: Smart firms find the “sweet spots” in the value chain but are sure to keep core competencies and intellectual property in-house. (How do you do the same for an a state or region?)

6. Some Guiding Principles for State Leaders

- Principle 1 Don't buck the global growth trend and U.S. policy direction. Current policies are tending to accentuate the off-shoring of low pay, low skill jobs. Freed up human capital must move to higher value.
- Principle 2 Revamp economic adjustment policies, programs and practices. Find creative ways to help dislocated firms and workers adjust. Avoid restrictions or barriers that seek to "outlaw" off-shoring, set wage rates, etc.
- Principle 3 Productivity and innovation are your primary weapons.
- Principle 4 Entrepreneurial economies have most chance of survival and growth.

6. Some Guiding Principles for State Leaders (cont.)

Principle 5 Quality of life matters. Economic growth, quality of life and environment, and human capital development are inextricably linked.

Principle 6 Create mechanisms that enable routine adaptation and adjustment. Avoid long “lead times” between realities of PIE and the institutional adaptations of your region / state (e.g. getting quarterly / yearly information about churning - - jobs gained / lost; business starts / failures)

7. What's Not Working? Simplistic Solutions for a Complex World

Common economic and workforce development mantra:

- **Build and they will come**
(Worked well for traditional industrial development)
- **Train / educate and they will stay**
(Sometimes brain drain, sometimes brain gain)
- **Spawn (new businesses) and they will grow.**
(Businesses come and go; start and fail)
- **Cluster businesses and they will multiply**
(Some economies agglomerate, some "disagglomerate")

7. What's Not Working? Simplistic Solutions for a Complex World (cont.)

- **Raise academic standards and they will excel.**
(But what happens to the kick-out kids?)
- **Discover and knowledge-based industries will follow.**
(Many knowledge-based businesses are more footloose than capital-intensive businesses)

The prosperity and quality of life formula for states / communities is getting very complex. No simple solutions but all involve creative combinations of innovation, learning, leadership and place-making strategies, mixed with a heavy dose fear and optimism (fear of getting run over; optimism learned from free markets and open democracies around the world)

8. Some of Graham's Laws

Law #1 (With due acknowledgement to Tom Friedman)

"The World is Flat".

- A fast approaching global supply of qualified workers; no skills / worker shortage.
- Trend toward global equilibration of wage rates.

Law #2 (To paraphrase Ben Franklin)

"Today nothing is certain but death, taxes and rising knowledge / skills".

- Widely agreed upon.

Law #3 **The smarter your talent becomes the more it discriminates about where to live.**

- You can't have growth without aggressive place-making - - quality communities, natural amenities, environmental quality, civic energy, tolerance, appealing civic design

8. Some of Graham's Laws (cont.)

Law #4 Silos are for losers.

- How can you integrate disjointed programs: adult education, job training, career technical education?
- How can you get synergy between incubation, education, workforce development, technology transfer? (e.g. Advanced Technology Center at a community college.)

Law #5 Exuberance for learning and discovery is one hook into your future

- Find ways to cultivate excitement for a "brain-powered society"
 - "Learned optimism".

9. Getting Your Piece of the PIE

For Economic Development:

- Key message: If you are not already doing so, switch to America's growth path - - **Innovation and Entrepreneurship.**
- Creatively combine **innovation – learning – leadership – place-making – optimism** (ILLPO - - my friend!)
- Balance **“outside-in”** and **“inside out”** strategies
- Don't overlook **U.S. – bound foreign direct investment.**
- **Embrace new comers** - - the stimulus of multicultural communities!
- Constantly improve business climate - - **Costs Matter!**

9. Getting Your Piece of the PIE (cont.)

For Your Talent force:

- Learning must begin very early in life.
- Learning and discovery is pervasive: All facets of life; all types of activity.
- Learning must be convenient, modular, low cost and accumulative toward credentials, at all ages.
- Learning is happening at speed.
- Learning is tailored to individual differences

9. Getting Your Piece of the PIE (cont.)

- Successful learning is driven by diagnostics - - diagnostics of the learner, education, teaching institution and "system"
- Unlearning and relearning is something traditional education and training institutions are finding hard to do. (Schools, area vocational schools / career centers, colleges, libraries, business / industry training, public training programs, union apprenticeship systems - - all are themselves in a learning / unlearning mode.)

So along comes new brokers, new boundary – spanners, and "gap-fillers" - - Community Learning Centers; proprietary colleges/universities; employer learning networks (skills alliances) - - let them bloom alongside traditional institutions.

9. Getting Your Piece of the PIE (cont.)

- 1. Integrate School – Career – College collaboratives.**
(Take a look at the AYES – Automotive Youth Education Systems – a quite different model from School – College – Career); prepare the “next working class” - - the mid-level professionals, paraprofessionals, technicians, supervisors
- 2. Integrate Incubator and Tech Park with Education / Training -- Applied Technology Center strategies.**
- 3. Find a way to provide “youth tuitionships” for those not immediately college bound after high school**
(Reinvent senior high school as we know it - - must be meaningful to the experiential learner and the accelerated learner)
- 4. Bring learning to the work place, the home, online.**

9. Getting Your Piece of the PIE (cont.)

- 5. Reexamine your organization and delivery of adult learning**, including the merits of a “Technical and Further Education Agency / Corporation” that combines the resources and creatively delivers Workforce Investment Act training, adult education (ABE /GED) and post-secondary career technical education.
- 6. Deliver low-priced, quality education to the incumbent worker:** meet the adult learner on his / her turf - - convenient, modularized (bite-size), credential-directed, low-priced, self directed. Must be designed and delivered through working relationships with specific firms, trade associations, chambers of commerce, etc.

9. Getting Your Piece of the PIE (cont.)

7. Identify core competencies in institutions of higher learning that match the needs of specific industries, U.S. or foreign corporations, e.g. university software development that has direct benefit to particular companies.

“Incentivize” collaborations of firms with academic departments

8. Help states craft economic adjustment strategies, policies and organization for a churning economy.

- Provide accurate up-to-date, easily accessible labor market information (real time state / local LMI that requires business cooperation).
- Enable WIA-funded “one stops” to become full service “success stores”.
- Consider ways to coordinate / combine various federal economic adjustment programs (U.S. DOC Trade Adjustment Assistance, U.S. DOC – Economic Development Administration, U.S. Housing and Urban Development, Workforce Investment Act etc.)

9. Getting Your Piece of the PIE (cont.)

- 9. Empower “regional investment alliances” to carry out much of the day-to-day economic development activities of a state. Focus state efforts on liaison with industry alliances, entrepreneurial and innovation development, and broad-based business climate and linkages with talent-force strategies**

In short, many of the Next Frontiers, are systemic, not just programmatic. How can Workforce Investment Boards facilitate this systemic change?

Discussion

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