Wisconsin Economic Summit

Southeastern Wisconsin Regional Paper

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Introduction

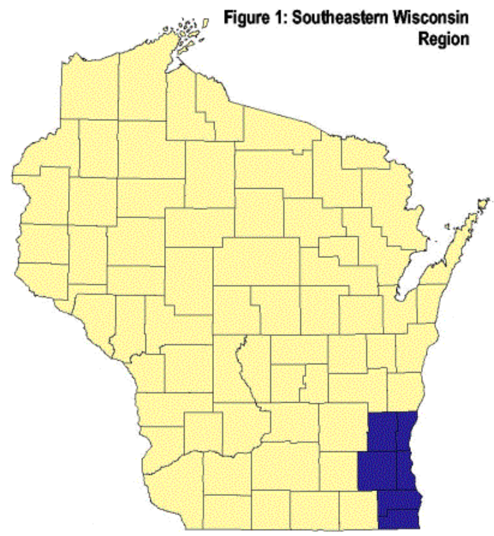
The purpose of this paper is to review discussions and recommend possible strategies pertaining to economic development in Southeastern Wisconsin. We begin by defining and describing the region. Next, we review information generated during a series of regional listening sessions and from other data collected in the last year from a variety of regional sources. These data are categorized according to the seven themes of the summit: enhancing the regulatory climate, educating the work force, building quality jobs, improving the entrepreneurial climate, building venture capital capacity, enhancing key infrastructures, and building a distinctive brand image. We conclude with recommendations and a plan of action for addressing key economic challenges in Southeastern Wisconsin.

Beyond specific strategies that might be helpful to each theme, we suggest that the region's future, like many other regions with more advanced economies, is highly dependent on the ability of key players to coordinate their activities around common economic development goals. Specifically, we articulate a vision for how business/labor, education, non-profit agencies, and government can work together to develop a coordinated strategy and planning team for this region. TechStar, a proposed collaboration between four research academic institutions, industry and state government—aimed at technology transfer for new start-ups and existing industry—is but one example of how local cooperation could enhance the greater good of the region. In turn, we suggest that greater regional coordination and cooperation in the form of a regional "joint venture" formed by key regional leaders could serve as a catalyst for greater economic activity, increased employment in high paying jobs, and a positive brand image for the entire state.

KEY ECONOMIC INDICATORS

The Region

Figure 1: Southeastern Wisconsin Region



For at least the last thirty years there has been a common definition of Southeastern Wisconsin. It has included the seven counties that geographically fill the southeastern corner of the state. For the purposes of the Economic Summit, the region has been slightly redefined. It includes the three metropolitan areas of this corner of the state: Kenosha, Milwaukee, and Racine. The area includes six counties, the three just mentioned and Ozaukee, Washington, and Waukesha. Walworth County, a county without a major metropolitan area, has been ceded to Dane County for purposes of analysis.

The SE region is dominated by Milwaukee on the north and Chicago on the south. Metropolitan Milwaukee has approximately 1.5 million persons and metropolitan Chicago has 8.9 million. Kenosha is now being called part of the greater Chicago area by the US Census Bureau because of its increasing ties to the Chicago economy. Kenosha is served by Chicago's commuter railroad, and many of Kenosha's citizens work in Illinois. Although we include Kenosha in our definition of the SE region, Kenosha's economy is increasingly influenced by that of Chicago.

Population and Work Force

The SE Wisconsin region has an estimated population of 1.8 million persons. They collectively constitute one-third of Wisconsin's population, although the region is but 6% of the acreage of the state.

Unlike much of Wisconsin, the SE region's population is diverse; it is home to about 410,000 African American, Hispanic, Hmong, Native American, and other minority residents. They collectively constitute over two-thirds of the state's minority population and almost one-quarter of the region's total population.

The SE Wisconsin population is committed to work. In fact, the state has one of the highest labor force participation rates, the proportion of adults who work or are looking for work, in the nation. The state's average is 74.7% while the nation's is 67.1%. In counties such as Waukesha and Ozaukee, the participation rate is over 80%. On the other hand, Milwaukee and Racine Counties have rates that are just above that of the nation. Thus, there is some room for greater participation in the SE region. The greatest room for growth in participation is among the minorities who constitute 23% of the population and only 15.8% of the region's labor force.

Another concern facing the region is the age distribution of the region. The population is aging. An increasing proportion is reaching retirement age and a similar portion is reaching the age to enter the labor force. Current projections vary by county, but the overall impression is that of near parity between those entering and leaving the labor force, indicating little room for growth.

Employment

The economy in SE Wisconsin accounts for just over one third (37%) of the jobs in the state. Milwaukee metro accounts for the bulk (87%) of the region's total of close to 960,000 jobs. Racine's economy is about 8% of the region's total jobs, and that of Kenosha, 5% of the total.

The job distribution by industry largely matches that of the state. Services (30%) are more concentrated here than in the state as a whole (25%). But Manufacturing (23%), Retail (16%), and Government (11%) are very similar to that in the entire state. Notably, the distribution of jobs in manufacturing is 1.5 times that in the US. The SE region and the state are still much more dependent on manufacturing than the nation as a whole.

Table 1: Distribution of Employment by Industry, SE Region, 1999

Industry	Workers	Percent
Agriculture & Mining	5,681	1
Construction	34,364	4
Manufacturing	216,316	23
Transportation/Utilities	44,071	5
Wholesale trade	55,584	6
Retail trade	153,116	16
Finance, Insurance, Real Estate	59,949	6
Services	285,443	30
Government	102,640	11
Total	**957,241**	

Despite reflecting state distributions, the SE region varies from other areas such as Dane County. Dane, for example, has but 11% of its employment in manufacturing, 24% in Services, and 25% in Government (counting the University of Wisconsin). Regions of the state do differ in terms of their industries.

In the 1990s Wisconsin experienced rapid employment growth (21%). The SE region did not grow as fast, 15%, but it was still faster than the growth of the US (13%). In terms of absolute number of jobs added, Services (Business, Health, Education, and Social) was clearly the leader with a gain of 72,003 positions. In second place, far behind, was manufacturing (+12,210). No other industries added more than 8,000 jobs. In relative terms the winners were: Services (+34%), Construction (+24%), and Wholesale Trade (+17%). Manufacturing employment grew by 6%, and Retail grew by 3%. (We should note that many new manufacturing jobs were created in the decade, but that over 12,000 disappeared in the region, about half through firm death and half through downsizing.)

Table 2: Change in Employment by Industry, SE Region, 1991-1999

Industry	Absolute Change	Percentage Change
Agriculture & Mining	1,903	50
Construction	6,632	24
Manufacturing	12,210	6
Transportation/Utilities	5,462	14
Wholesale trade	7,907	17
Retail trade	4,818	3
Finance, Insurance, Real Estate	4,938	9
Services	72,003	34
Government	6,091	6
Total	**122,041**	**15**

To better understand current trends, we should note the years in which employment growth occurred. For example, Services grew evenly at about 15% in both the first and second half of the decade. Manufacturing realized 90% of its modest growth by 1995. Retail Trade realized all of its growth before 1995. The only industry that did well in the second-half of the decade was construction, growing by 18% compared to only 5% in the first part of the 1990s. Overall growth occurred at 8% in 1991 to 1995 and 6% for the 1995-1999 period. A similar, slowing pattern prevailed for the state as a whole.

When one looks at the more detailed descriptors of industries (Table 3), we can see more specifically in which industries employment growth has been occurring. A key to comprehending Southeastern Wisconsin's role in high-tech is to understand the use of SIC codes, which are a common way of identifying industries, and are referenced frequently throughout this section.

Far and away the fastest growth has been in Business Services. This industry accounts for 34% of all recent employment growth. Within Business Services the largest gainers have been Temporary Help, Computer Programming Services, and Data Processing and Preparation. Together, these four specific industries account for 25% of all growth in the region.

Table 3: Fastest Growing Industries (2-digit SIC), SE Region, 1991-1999

Rank	SIC	Industry	Gain
1	73	Business Services	31,771
2	80	Health & Allied Services	14,755
3	83	Social Services	10,054
4	82	Educational Services	7,709
5	50	Wholesale Trade, Durable Goods	6,896
6	45	Air Transportation	6,183
7	17	Special Trade Contractors	5,276
8	87	Engineering & Management Services	4,390
9	37	Transportation Equipment	3,925
10	36	Electronic & Other Electric Equipment	2,968
Total			**93,927**

Beyond Business Services a good deal of growth (27% of the total growth) has occurred in three industries: Health & Allied Services (14,755), Social Services (10,054), and Educational Services (7,709). The baby boomlet moving through the schools has fueled the demand for additional teachers. The increased demand for health care has forced expanded employment in that industry in both hospitals and doctors' offices. And the expanding economy has increased the ability of the area to pay for and deliver social services. The fastest growing social services are those in job training and residential care.

High Tech Employment

As those at this conference know, high tech employment is highly prized today. We look to Silicon Valley with envy in terms of employment and incomes. We tend to think of Wisconsin as a ways off the mark. But are the state and this region behind the curve? The answer depends in part on how one defines "high tech." There is not one definition. One of the most highly publicized is the one used in 1998 by the Milken Institute. It uses 14, three-digit SIC codes. By this measure some 4.7% of the employment in SE is high tech. That is below the national rate of 5.8%, but above the Wisconsin rate of 3.5%. The vast majority of this employment in SE is concentrated in metropolitan Milwaukee.

We must note that the Milken definition of high tech is not a very inclusive one. In fact, it overlooks many industries that hire a large number of IT (information technology) workers. An example here in Milwaukee is the "quiet company." Northwestern Mutual has almost a one-to-two ratio of IT employees or IT consultants to its non-IT consultants. The firm is counted as FIRE, Finance, Insurance, and Real Estate. Metavante, a part of a bank, is almost exclusively IT, but that is not how one counts it using traditional Standard Industrial Codes, as Milken does. In other words, there is more IT here than meets the eye: IT is being applied in a variety of settings. It is critical to the region that it be applied in more such settings.

The SE region's high-tech employment is concentrated in a few industries (Table 4). The most important is SIC 737, Computer Programming, Data Processing, & Other Computer Related Services. Some 36% (16,168) of the region's high tech employment (45,449) is in this one industry. The next largest is SIC 384 Surgical, Medical, & Dental Instruments and Supplies with 6,235 employees in 1999. Not far behind in third place is SIC 871 Engineering, Architectural, and Testing Services with 5,417 employees.

Table 4: Distribution and Change in High Tech Employment, SE Region, 1991-1999

SIC	Industry	1999 Employment	Absolute Change	Percent Change
737	Computer Programming, Data Processing, & Other Computer Related Services	16,168	8,812	120
384	Surgical, Medical, & Dental Instruments & Supplies	6,235	113	2
871	Engineering, Architectural, & Surveying Services	5,417	1,373	34
481	Telephone Communications Services	3,880	-1,451	-27
382	Laboratory Apparatus and Analytical, Optical, Measuring, & Controlling Instruments	3,506	94	3
367	Electronic Components & Accessories	3,421	1,302	61
Other	**	6,872	1,325	24
Total		**45,499**	**11,568**	**34**

** Others include SIC 283, 357, 366, 372, 381, 781, and 873.

In terms of growth in the 1990s, the growth is largely confined to SIC 737 Programming and Data Processing. This industry added over 8,800 workers (+120%) in the 1990s.

Virtually all workers were added between 1995 and 1999. Electronic Components and Accessories (SIC 367) grew by 61% or 1,302 employees and Engineering and Related Service (SIC 871) added 1,373 employees, growing by 34%. The overall growth rate in the 14 high tech industries was an enviable 34% in the region, more than twice the overall growth rate.

Number of Employers

In 1999 there were almost 48,000 employers in SE Wisconsin. Some two percent were governments (local, state, federal, and schools). The rest were private-sector employers. The number of employers in the SE region grew by 19% between 1991 and 1999. The majority of the growth came from Services employers. But Manufacturing added 305 employers, Construction added 842, and Wholesale Trade added 905 employers. The number of employers in Retail actually declined as the industry consolidated.

The employers varied in size. Those with fewer than 100 employees accounted for 48% of the employment in 1999. Those with 500 or more employees employed 24% of all employees. Growth in employment in the last decade, however, does not reflect this distribution of employees related to company size. Most growth occurred in employers of fewer than 500 employees, with 56% of the employment growth for the decade in firms with fewer than 100 employees. Those with between 100 and 500 were responsible for 41% of the growth. The largest employers added just 3% of the total, in comparison with their 24% share of all employees.

Two other dimensions of employment growth are worth mentioning. First, employment growth is coming from newer entrants to the region. Some 60% of the net employment growth in the region came from employers that were not in existence in 1991. That suggests the importance of new business activity. Second, all of the net growth is coming from employers that have multiple locations. Single-site employers are losing ground in the current economy. Mergers, acquisitions, expansions to new sites are the game that is now being played. The new economy is about more employers that are smaller and that have multiple locations. Most services require access to clients, hence the generation of multiple locations closer to the customer.

Unemployment Rates

The region maintains its long streak of having an unemployment rate below that of the nation. In August 2000, the SE region's unemployment rate was 3.8%. The good news is that most of those looking for employment are finding opportunities. The bad news is that within the region some areas have unemployment rates below 2%, indicating difficulty for employers who are looking for additional workers. The low unemployment rate is a constraint on the growth of the regional economy.

Earnings per Worker

One of the most critical measures of the economy is the earnings of the workers. Table 5 shows the average earnings per worker by industry and the change in those averages over the 1990s. The good news is that real earnings per worker are reasonably high ($31,445 in 1999 – higher than anywhere else in the state), and they have been rising in SE Wisconsin in the last decade. The average worker has experienced a $3,008 gain in real income (in constant dollars) over the decade. That is quite different from the experience in the 1980s.

Table 5: Distribution and Change in Average Earnings per Worker By Industry, SE Region, 1991-1999

Industry	1999 Average	Absolute Change	Percentage Change
Agriculture & Mining	$19,565	$52	0.3
Construction	$36,350	$2,252	7
Manufacturing	$40,048	$2,654	7
Transportation/Utilities	$35,623	$1,754	5
Wholesale trade	$40,136	$5,157	15
Retail trade	$15,246	$1,777	13
Finance, Insurance, Real Estate	$49,468	$14,548	42
Services	$26,300	$3,140	14
Government	$33,789	$21	0.1
Total	**$31,445**	**$3,008**	**11**

Unfortunately, the gain in income amounts to a little over one percent per year. What we are finding is that more of us are working than in 1991, but we are not earning that much more. The true charge for the Summit is not so much more jobs for SE, or the rest of Wisconsin, as it is more income earned from those jobs. Our labor force is not increasing. What is needed is more productivity and value added, so that earnings of workers can rise more rapidly.

Summary of Key Economic Indicators

In summary, following are the key indicators related to the Southeastern region's economy that are important to understanding the region's position, the areas that will challenge us, and where we may find pockets of opportunity:

1. The region is growing in terms of employment, just not as fast as the rest of the state.
2. The growth is coming largely in the service sector (SICs 4-9).
3. Business Services is the single industry with the greatest employment growth. The single largest component of that growth is attributable to Temporary Help firms.
4. Manufacturing continues to be important to the region, even if employment has remained relatively steady in recent years. The industry demands services from other industries and is still a major piece of the foundation of the regional economy.

5. High tech employment is present, at rates higher than the state's, although below national levels.
6. Employment growth in the region slowed over the decade; only Construction employment grew faster after than before 1995.
7. Unemployment rates are lower than the nation's, but this does vary within the region.
8. There are more employers today than there were in 1991, and the average size of employer is smaller than it used to be.
9. Some 56% of the employment growth came from firms with fewer than 100 employees; only 3% came from employers with 500 or more employees.
10. About 60% of all net, new jobs were added by firms that came into being after 1991. That means that the majority of net employment growth came from entities that did not exist at the start of the decade.
11. All of the net employment gain in the region occurred in employers that have multiple sites. Employment in single location entities decreased over the decade.

QUALITATIVE ANALYSIS OF ECONOMIC CONDITIONS

Listening Groups

A series of six listening sessions and two regional planning advisory groups were held throughout the SE region to obtain an overview of the region's perceptions of these seven themes:

- Quality jobs
- Venture capital
- Regulatory climate
- Educating the work force
- Fiscal future and entrepreneurial climate
- Key infrastructure
- Distinctive brand image

The listening sessions were held in Fall, 2000, in Milwaukee, Waukesha, West Bend, Racine/Kenosha, and Mequon, and were attended by a total of over 300 representatives of business/labor, education, non-profit agencies, and government. A summary of the thoughts expressed at these sessions follows. Additional opinions were obtained (a) from student focus groups on the UW-Milwaukee campus, and (b) from the results of a study on issues of importance to the region's technology community conducted by the Metro Milwaukee Technology Alliance in Summer, 2000.

Quality Jobs

There was a general perception among listening session participants that there is a lack of quality jobs in the SE region. Three distinct themes emerged:

1. The region needs more high-tech job opportunities
2. The region needs more skilled workers
3. The region needs to do more to enhance job quality for the entire spectrum of the working community.

First, there was a definite consensus that the region needs more high-tech jobs. Despite this consensus, there was a division as to where the regional community feels high-tech jobs could and should be created. Participants throughout the region agreed that one of Southeastern Wisconsin's current strengths is in the manufacturing sector. Some participants believed that the region should take advantage of and build upon this strength, investing in high-tech innovations in the current industrial sector. They saw clear opportunities to enhance productivity in existing industries. Another viewpoint was held by others, who believed that Wisconsin has to break out of its "manufacturing mentality," be more forward thinking, and create and attract new businesses that will offer high quality, high paying employment in the technical arena.

Lack of high-tech jobs was not the only issue of concern related to high-tech. Lack of sufficient high-tech talent was of great concern, especially to those trying to hire technical employees. The region is clearly perceived to be suffering from "brain drain," where top talent leaves the state in pursuit of better opportunities. Listening sessions throughout the region, as well as focus groups with graduating students, showed that the area is not perceived as a good place for fast-track careers nor as a high level career destination. The region's businesses that currently offer high-tech job opportunities are often frustrated by their difficulty in recruiting and retaining employees in the SE region, as cited in the results of a survey of metropolitan Milwaukee technology business leaders in Summer, 2000, conducted by the Metro Milwaukee Technology Alliance.

It was also evident from the listening sessions that the term "quality jobs" does not necessarily mean high-tech jobs to everyone. There were recurring comments that the SE region needs to do more to allow all workers to advance in their positions, thus increasing income potentials across the board, particularly for the minority population. As one participant put it, "Addressing the issues of social equity cannot be overlooked. The central cities need to be revitalized to bring work to where many unemployed and underemployed live."

Indeed, a number of participants felt that the region needs to "make an asset" of its diverse population by increasing efforts to diversify the work force. In addition to the dearth of quality job opportunities for the minority population, it was noted that there is a marked underrepresentation of minorities in upper level jobs. More needs to be done to support education and training that allows greater diversification and better advancement opportunities for minorities in the work force.

Venture Capital

Comments throughout the SE region consistently pointed to a lack of adequate venture capital, or early money, to fund new business start-ups and to support business growth. This was a problem cited throughout the whole region, and was of particular importance to the minority and small business communities. Almost 95% of high-tech businesses surveyed by the Metro Milwaukee Technology Alliance whose businesses are currently seeking growth capital indicated that access to growth capital to the future of their business is "somewhat important" or "very important."

Listening session participants were keenly aware that Wisconsin's slow or negative response to funding business ventures means that high-tech businesses in particular will move on to other states for their funding and operations. In Wisconsin, said one participant, "it is an eight or nine month process. By that time, somebody else is already providing that high-tech service in another state."

To underscore this, UW-Parkside Chancellor Jack Keating drew from David J. Ward's SE Wisconsin Regional Advisory presentation to compare changes in per capita venture capital in Wisconsin, Minnesota, and nationwide between 1988 and 1998. In 1988, Wisconsin's per capita venture capital stood at $7.44, Minnesota's was $16.35, and the United States average totalled in at $21.48. By 1998, Wisconsin increased to $14.30, the U.S. average climbed to $71.79, and Minnesota skyrocketed to $137.19. Although the figures speak for themselves, Keating summarized, "Venture capital equals high levels of technically skilled jobs equals good income equals tax base."

Regulatory Climate

There was an evident sense of frustration by business people at listening sessions in the SE region that government doesn't understand business, and that tax and regulatory policies are overly burdensome.

Clearly, SE region businesses felt that taxes are a major barrier for expanding their operations, as well as to attracting new businesses to the area. Wisconsin's tax structure was described as "onerous." One participant stated, "State and local taxing entities need to understand the enormous impediments they present for businesses seeking to expand." Wisconsin needs to "level the playing field" with regard to taxes, said some business people, who are concerned that Wisconsin can't compete with other states that have much for favorable tax structures for businesses.

In addition to burdensome taxes, the regulatory climate in Wisconsin was called "atrocious." Government is viewed as having "no understanding of time," with a few participants citing the extraordinary amount of time it takes to obtain permits as an example of government not adequately responding to the needs of business.

On a positive note, it appears that business has a sincere desire to work together with government bodies for the betterment of the economy. "Let's get together," was a repetitive theme at listening sessions in the region. Kenosha County was cited as a "textbook case" of how government and business can work cooperatively.

Educating the Work Force

The listening sessions elicited comments about the strengths in the education system and in the quality of the work force, but also highlighted ideas on improving education in the state.

In general, people felt that the SE region's public school systems are good, but acknowledge that major problems exist in some of the larger districts. Area universities and colleges were viewed as excellent, providing good educational value and quality graduates. Respondents to the Metro Milwaukee Technology Alliance's Summer, 2000, survey indicated that the quality of technology employees in the Milwaukee area is good, as well. Graduating students commented in focus groups that they felt well-prepared for their chosen careers, including in areas of technology.

Still, there were perceptions that education of the area work force needs to be improved.

First, participants called for both better general training and better skilled training of the work force. Members of the Business Council, an association of African-American business owners, ranked as a "top priority" issue the lack of competent, well-trained staff, and the need for training programs to prepare individuals ("particularly those from lower income black neighborhoods") to be successful in their jobs. Opportunities Industrialization Centers of America (OIC) was cited as a prime example of a successful job training program aimed at African Americans. OIC Greater Milwaukee is one of the largest training sites in the OIC network. In addition, there were numerous comments in the region indicating that the work force is "not skilled or technically competent enough" to support high-tech companies.

Second, continuing education was viewed as vital to the improvement of the work force. Participants wanted to see companies value the continuing education of their work force, and government to back such initiatives through tax breaks.

Third, participants indicated their desire for government to provide greater support for education in the State. It was noted that funding for education is not keeping pace with increased costs; at the same time that businesses are calling for more qualified workers. "Funding for education in Wisconsin needs to be restored and enhanced." Government was also called upon to provide tax incentives for continuing education to both businesses and individuals. Participants also felt that the State could take steps to keep our "best and brightest" in the region by increasing the number of Wisconsin students who are admitted to Wisconsin universities and colleges, and by providing more honors opportunities for high-achieving students.

Last, the listening sessions looked to the educational system itself to take steps to better prepare the future work force. Building on the recurring theme of communication and cooperation, participants felt that both K-12 schools and universities/colleges “need to have a better understanding of the needs of business” and need to coordinate better with business and each other. Specific suggestions included developing and providing specific job training tracks to meet employer demand, providing practical application of skills at all levels of education, providing more internship opportunities, and creating an educational focus on entrepreneurship. Education was also asked to increase awareness and knowledge of technical and professional training opportunities among school guidance personnel so that they can share this information with students and parents making education and career decisions.

Fiscal Future and Entrepreneurial Climate

Opinions about the fiscal future and entrepreneurial climate of the SE region pointed to the need for a change in the way things get done.

The perceived economic climate of the SE region is that of a “traditional” or “conservative” economy that relies on its past strengths, rather than an innovative economy that seeks out new opportunities. “Wisconsin seems to look backward for our growth.”

A number of comments were made about the lack of a strategy or incentive system for both attracting new companies and retaining current industry and jobs. “Milwaukee leadership needs to go after business to stay and expand,” said one individual. Again, participants cited the need for coordinated effort among business/labor, education, non-profit agencies, and government to set an agenda to solve economic issues.

Again, the topic of social equity was addressed during discussions about the economic future of the region. Participants urged that the region take advantage of the diversity of its population. A number of participants discussed the lack of opportunities for the economically disadvantaged, particularly minorities residing in central cities. It was felt that for these areas and individuals to be able to improve their economic future, they require educational support, worker training, and funding to revitalize business.

Key Infrastructure

While infrastructure was not a predominant theme, it is clear within our region that these issues are key to our future growth: air, energy, roads, and mass transit. The authors also note that a paper written for the Metropolitan Milwaukee Association of Commerce by Dr. Eric Schenker, emeritus professor and dean at UWM, identifies future energy sources as a major issue to be dealt with given Wisconsin’s economic growth and increasing demand for power.

More interesting were perceptions on what could be viewed as non-traditional infrastructure, or “people and idea” infrastructure. Throughout the many listening sessions, people pointed to the need to better coordinate the efforts of business/labor, education, non-profit agencies, and government. Common themes surfaced regarding improving communication among the major players. There were numerous appeals for government and business to work together on issues of regulation and taxation. Other comments called for business and education to work together to ensure that tomorrow's work force is trained in the areas that business needs. Education was urged to coordinate its various levels, from elementary school to high school to technical college or university. Entrepreneurs stated the need for an avenue to network together. The message was clear: "We need to work together." As such, improving this type of infrastructure carried considerable weight at the listening sessions.

Distinctive Brand Image

Wisconsinites are proud of who they are, and the SE region is no exception. It boasts a high quality of life, a strong work ethic, and a good place to raise a family.

That said, the region also realizes that it is perceived as traditional, resistant to change and risk-averse. Participants recognized that this is a serious impediment to attracting new, innovative firms to the area. There was strong opinion that the region needs to "break out from the beer and brats image to technology and modern day manufacturing." "The Dairy State image is not high-tech," said one participant.

Technology leaders agree. The findings of a survey of metro Milwaukee technology business leaders conducted by the Metro Milwaukee Technology Alliance in Summer, 2000 indicate that "enhancing the image of the area as a technology center is paramount in growing their businesses," and would lead to both increased business for their own operations, and attraction of other technology businesses to the area.

An enhanced business image, however, may not be enough. Milwaukee's lifestyle image is "not glamorous enough" for younger people in information technology fields – people who earn high salaries, stay single longer, change jobs frequently, and want a dynamic lifestyle.

Listening Session Summary

Clearly, the region sees that both challenges and opportunities lie ahead. Integrating regional demographics, definitional characteristics, and the perceptions generated across the listening sessions and other sources, we offer the following specific recommendations pertaining to themes raised in the summit. These are by no means independent activities, but rather ones that will necessarily have spillover benefits that can address sequentially (and simultaneously) several themes. For example, recommendations for building quality jobs, if successful, will also serve to reverse the "brain drain" as skilled workers will have relatively more attractive employment options in state.

Our suggestions include:

1. Focus on work force development; we have to be able to do more with fewer worker additions. Simply put, the existing work force is stretched to its limit that creates a ceiling on both existing industry and the prospects for new business start ups.
2. Look to "New Manufacturing" for growth in the region. While it is recognized that traditional manufacturing has historically been the heart of the regional economy, the SE region needs to "break the mold" in order to move the economy forward and remain competitive.
3. Stress the **application** of technology to make employers in all industries efficient. This involves infrastructure, work force development, and fostering competition.
4. Encourage new business development by creating the appropriate climate, eliminating regulatory barriers, and attracting venture and seed capital.
5. Increase the representation of minority populations in both the general work force and in upper level positions.
6. Take steps to ensure a stable power supply and reasonable energy prices.
7. Address the brain drain and build quality jobs through several mechanisms:
   - Encourage job growth in high tech and so-called "new economy" organizations
   - Provide tax breaks and reduce regulatory bureaucracies that impede start-ups
   - Encourage and develop state-sponsored productivity boosters: answer the question, how to do more with less? Provide Governor's awards and other recognition programs that foster productivity enhancements.
   - Challenge manufacturing firms to demonstrate they how they have moved up the value chain. Increased wages will follow if value is being added; conversely, jobs will leave the area and real wages will decline if the status quo is maintained
8. Encourage all (and particularly state-supported) higher education institutions to work more closely to develop specific centers of academic excellence that promote economic opportunity and work force development. Examples of areas in which centers and skill development could be promoted:
   - High technology engineering applications
   - Biomedical and bioengineering areas
   - Printing industry
   - Entrepreneurship in business schools
9. Provide state tax incentives for employers with educational assistance programs. Additional incentives could be provided for close collaborations with educational partnerships that are either focused on specific industry consortia or working in tandem with multiple education levels (e.g., 2-plus-2-plus-2).

POSITIONING SOUTHEASTERN WISCONSIN FOR THE NEW ECONOMY

Southeastern Wisconsin is in a strong and unique position within the State for economic growth.

- 35% of the State's population and 36% of the State's employees
- 80% of the State's minority population, creating opportunities to capitalize on the region's rich diversity
- 48% of the State's high-tech jobs
- 40% of the State's college-educated population (the sixth highest ranking of North American cities in per capita population with higher education credentials)
- Access to the intellectual capital of over 2,300 faculty from more than 16 colleges and universities, and to the 10,000 graduates produced by those institutions each year
- A 1999 GMP of $61.15 billion
- 52% of the State's publicly traded corporation
- Seven Fortune 500 companies
- Core businesses in manufacturing, data processing, insurance, business services, mutual funds, and printing
- 54% of the State's registered patents
- Excellent proximity to U.S. and Canadian markets
- Strategic location in the Chicago, Milwaukee, Madison, and Twin Cities corridor, which features excellent transportation systems
- Daily flights out of Milwaukee to 50 major business markets
- The value of goods and services exported from the region exceeds $5 billion
- An international port on a major waterway

These are over a dozen extremely compelling economic indicators for Southeastern Wisconsin. They lay a foundation and a profound sense of opportunity for the region and the State. Yet these variables alone do not make an economic future. Although we have the key criteria that are essential for economic growth, we have not capitalized on these strengths.

Consequently, it is clear that regional economic development requires systemic thinking, behavior, and concrete actions. ***Now is the time*** for business/labor, education, non-profit agencies, and government in Southeastern Wisconsin to come together, plan, and activate a strategy that takes advantage of these assets.

Highlighted below is an example of regional coordination, TechStar, which is currently being developed, followed by a general strategy and call to action for regional thinking and coordination – nothing short of a regional joint venture leading to robust economic growth and development in Southeastern Wisconsin

TechStar

Because Wisconsin industries often employ mature technologies, they are continually challenged to sustain long-term competitiveness in the marketplace. To maintain and improve long-term economic health, southeastern Wisconsin needs to pump emerging technologies into its business community. Universities drive industry and business competitiveness in the new high-tech economy, as exemplified by Palo Alto, Boston, Austin, San Diego, and Durham/Chapel Hill.

One answer to this challenge is the regional coordination exemplified in the recently announced TechStar initiative. TechStar represents an infrastructure which will be developed in metropolitan Milwaukee to marshal the technology-focused intellectual capital in the participating educational institutions in order to advance the economic and societal well-being of Southeastern Wisconsin and throughout the State. TechStar directly addresses three statewide economic development needs:

1. Greater access to intellectual capital
2. Increased competitiveness of existing businesses and industries in the marketplace
3. More new technology-based businesses

TechStar provides the necessary infrastructure to create new jobs by bringing together Southeastern Wisconsin academic institutions and the business community. Key targets for TechStar include fostering technology-related economic development, stemming the loss of highly trained and skilled people, and increasing the number of high paying jobs—all of which are critical issues for Wisconsin's future—in addition to being among the key themes of this statewide economic summit.

TechStar's founding structure relies on strategic partnerships among universities, the business, financial, and labor communities, and civic leadership. Several models have been studied, including the North Carolina Research Triangle, Houston Advanced Research Center, and Rensselaer Polytechnic Institute. Their best practices have been identified and adapted to Wisconsin's business climate. As a result, the appropriate intellectual, fiscal, and personnel resources have been identified to meet the primary TechStar goal: **Turn ideas into companies and jobs**.

Since startup businesses and existing firms have different technology or general assistance needs, TechStar will have two main cornerstones: An Established Business Technology Service Center and a Startup Business Commercialization Center. This approach is also consistent with the rest of our paper in which we call for enhancement to existing industry and promulgation of practices that facilitate new business start ups.

Beyond this specific initiative, we suggest a broader, more inclusive umbrella organization be formed. TechStar's strength is in its focus on technology transfer and related application to new start ups and existing industry. However, it is not enough, as examples of other booming regional economies show. What is typical in such areas is how local and state government, higher education, industry and labor collaborate on a host of issues across regionally limited borders. Similar to Silicon Valley's Joint Venture for 2010, we believe that without greater regional coordination, we are not likely to successfully address the themes raised in this summit. Accordingly, we present an outline below for such coordination.

A Southeastern Wisconsin Joint Venture

We submit that there is an urgency to forge our future together ***now*** if do not wish to allow other regions in the U.S. and abroad to eclipse us. We envision a model in which leaders in business/labor, education, the non-profit community, and government would form a "joint venture," working together to identify and address common issues that have been raised in this summit. Figure 2 illustrates the proposed components of the joint venture. Using TechStar as a building block, the joint venture would have a much broader focus in that it would be setting the agenda and addressing common issues pertaining to the six county region across the entire spectrum of themes raised in this summit.

Figure 2
A Joint Venture for Regional Economic Development

The premise for a joint venture model in Southeastern Wisconsin is supported by the fact that several key regional players recognize the value in working together for the region's greater good. Absent that commitment, we would continue to go it alone in terms of different players not working across either region or functionality.

And, as a dynamic, forward looking structure, we suggest that this coordinating body not be constrained with just these issues. Indeed, if we simply examine other high-growth regions in the country and aim to mirror their achievements, our region could very well be behind yet another set of challenges.

Thus, the charge to this new entity would be to accelerate the region's efforts:

- to become aggressive economically
- to expand work force opportunities that meet personal, social, and economic needs
- to enhance the overall quality of life and regional prosperity

These objectives can only be realized through partnerships based on commitment and mutual collaboration, and by capitalizing on the unique assets to the region.

The Southeastern Wisconsin joint venture's initial charge would be to examine several key questions:

1. Who should work together? Business/labor, education, non-profit agencies, government, etc.
2. Why should we work together: What's in it for us to work together versus the separate geographical, industrial, or functional paths we're now on?
3. What barriers to working together must be overcome?
4. What are specific examples of regions working together, and how have they overcome barriers inherent in regional cooperation?
5. How would the group be best structured to manage the tension between the high degree of participation required for buy-in v. the need to be small enough to move quickly and get the job done?
6. How can this initiative link us beyond the borders of the SE region, to the State, the country, and internationally?
7. What are our key objectives and how will we know if we've achieved success in the short- and long-term?
8. What is our action plan for going forward (sequence and specific actions taken by whom)?
9. Who is responsible for coordinating our activities?

Next Steps

We urge that a group of key regional leaders in business/labor, education, non-profit agencies, and government be convened by January 30, 2001, with the charge of examining the key questions enumerated above and creating a comprehensive business plan for the region's future economic growth that highlights early and ongoing successes. To take advantage of the momentum of this summit, we suggest that the review process and strategic plan be accomplished within a six month period.

Conclusion

In conclusion, the regional demographics and comments from regional leaders that were summarized earlier in this report point to a wealth of both challenges and opportunities for Southeastern Wisconsin. It is now up to our regional leaders to answer the call to action, to come together as representatives of the regional economy, and to decide upon and embark on a course of action that will position Southeastern Wisconsin for growth.

We submit these recommendations and pledge our support and involvement for the benefit of all.