JOBS FOR THE FUTURE

Building Regional Capacity to
Stimulate Economic Growth and Workforce Productivity

Milwaukee Region Case Study

Summary

As a Midwestern city adjusting to a significant loss of manufacturing jobs, overcoming past tensions between the city and suburbs, and experiencing stark differences between the inner city and the surrounding counties, Milwaukee faces several of the classic challenges to collaboration found in US metropolitan regions. Its recent steps toward regional collaboration are significant in light of this situation, especially the leadership provided by business organizations, the regional structures that have been put in place for economic development and workforce development and the links between them, and the role that state and federal incentives have played in those efforts.

Background

Like other metropolitan areas in the Midwest and Northeast that have historically been dependent on manufacturing, the Milwaukee region has been losing population as well as traditional employers for several decades, although that appears to have stabilized in the past few years. Overall, there has been slow job growth in the region since 1990, with a 13.2 percent increase in employment, but this is half the national average, and most of the new job growth has been in the exurban counties rather than the city proper. Per capita income has also increased in the region, but not as fast as other cities, causing Milwaukee to fall from 29th to 44th among the fifty largest cities between 1970 and 2000.

The Milwaukee region has had some success in attracting college-educated people from other areas, particularly with the help of FUEL Milwaukee (an association attracting and retaining young professionals) but it has had more difficulty than other cities in retaining those born in the region. The region as a whole has seen an increase in the percent of the population holding a college degree, but that percentage is significantly lower than the average for the fifty largest American cities, and Milwaukee has been falling further behind the average city.

Despite some regional gains, income gains in the inner city have been limited to two zip codes where most of the gentrification has occurred. Milwaukee has begun to draw young, educated, and ethnically diverse residents back to downtown, but that movement began later than other cities, so the share of college-educated people living in the inner city is still significantly lower than other cities.

A large minority population has become concentrated in the inner city -- 65 percent of inner city residents are minorities, compared to 10 percent for the region as a whole, making Milwaukee the third most racially segregated city in the US. Only 11 percent of black workers in the region work in exurban counties. Black male joblessness in Milwaukee was 44.1 percent in 2005 and is said to have reached 50 percent by 2008. Milwaukee's jobless rate is now the second worst among the 50 largest cities in the US.

To compound the problem, the high school graduation rate is below 65 percent in the city, compared to the state average of 89 percent. As a result, the poverty rate in the city of Milwaukee was 24.4 percent in 2007, the seventh highest among US cities with populations over 250,000, compared to 5.1 percent in the exurban counties.

Is there a regional strategy to promote economic growth?

A "Strategic Framework" developed by the Milwaukee 7 (M7) outlines a regional strategy to promote economic growth. It is based on community-wide surveys and interviews, which identified several common themes, quoted below:

- Companies, counties and cities can't succeed on their own; we will succeed or fail as a region
- We cannot afford deep gaps in prosperity - between city and suburb; downtown and rural; minority and majority; and those without education and hope and those with skills and a home
- Real opportunity exists in our region, and it is evidenced through differentiating, place-based assets
- Success will depend on our ability to leverage innovation

The M7 strategy is also based on economic analyses that identified the top regional driver industries to be Manufacturing, Financial Services, Headquartered Companies/Management, and Information Technology. The M7 strategy is to grow the driver industries, which are expected to spur growth in their supporting industries, which will then generate additional economic activity throughout the region. The M7 has also identified fresh water industries as an emerging cluster for the region, because the region has an abundance of fresh water, a potent concentration of companies in the business of water, and academic prowess in the water research field. Surrounding counties such as Waukesha and Racine have subsequently shaped their strategic planning to align with that of the M7, focusing on green and advanced manufacturing, for example, based on M7's strategic plan.

The convening of business and civic leaders from the seven counties to jointly develop the regional growth strategy required overcoming a long history of animosity between the city and its surrounding counties. That animosity dates back to the "sewer wars" of the early 1990s, when the city of Milwaukee levied a tax on the suburbs to pay for sewer and water services, provoking strong opposition. A proposal to build a light rail system came up during that same period, got caught in the conflict, and has been a polarizing subject ever since.

Despite past tensions, strong support from the two main business organizations in the region, the Greater Milwaukee Committee (GMC) and the Metropolitan Milwaukee Association of Commerce (MMAC), has made a big difference in recent years. Both were instrumental in the formation of the Milwaukee 7, along with the Mayor of Milwaukee and the Spirit of Milwaukee, a group that works on making Milwaukee attractive to the "creative class." It is widely held that continued active engagement by both the GMC and the MMAC is critical to the success of the M7 initiatives.

The active involvement of these business organizations is taking on even greater importance as the involvement of individual top corporate leaders appears to be waning and becoming more difficult to sustain. The global companies in Milwaukee tend to look beyond the boundaries of the region and are less place-based. As a result, there has been much greater involvement of smaller, start-up companies than in the past.

Besides marketing and branding the region, the main focus of the M7 has been on supporting the Next Generation Manufacturing and Water clusters. A council has been set up within each cluster, led by industry representatives. The Water Council has taken off, with widespread support from the community, in part because it is new and promising. The Water Council is actively working to achieve 501(c)3 status, which would allow it to hire an executive director and other supporting staff to coordinate industry services, create strong linkages between education, research and business, and grow water based companies and research talent. The 501(c)3 status would also allow it to accept funding from corporate and private foundations as well as government sources. The Water Council is seen as a model for what should happen in other targeted industries.

A Manufacturing Council launched by the MMAC has only slowly gained traction, in part because manufacturing includes so many different kinds of companies, because there is not an existing manufacturers association in the region to build on, and because manufacturing has experienced such a decline in the region. In response, the M7 plan now is to focus on promoting growth within two manufacturing sub-sectors: food processing and navigational devices.

Responsibility for executing the region's growth strategy lies with M7. However, there are only 3 people on the M7 staff, so they rely heavily on staff in partner organizations to carry out the work. Experience elsewhere has demonstrated that success in growing industry clusters requires dedicated staff with deep industry knowledge. There is some deep industry knowledge within the county economic development agencies and more being developed through the research programs at local universities. It will be important for M7 to harness the talent it needs as it expands its work into other clusters.

What structures are in place to promote/support the necessary collaboration for this effort to be successful?

The Milwaukee 7 Regional Economic Development Advisory Council provides strategic direction for the M7 initiatives. The Council is chaired by the Mayor of Milwaukee, the CEO of Wisconsin Energy Corporation and the President of the local Bradley Foundation, and includes high-level business and government representatives from each of the seven counties in the region, along with 10 at-large members, representing labor, business, higher education, foundations, and the community.

The Council has played a useful role in getting people to talk to each other and work together at the regional level. That has not only required working across geographic boundaries, but also political boundaries. The Mayor of Milwaukee is a Democrat, while the majority of chief elected officials of the seven counties in the region (including Milwaukee County) are of other parties.

One of the early achievements of the M7 was to get representatives from all of the counties to agree to a Code of Ethics, which calls for marketing the region as a whole, rather than as individual counties, and which discourages soliciting intra-region business relocations. That agreement has been honored. Nevertheless, it remains to be seen whether the county economic development agencies will continue to pursue their own separate agendas or be guided by the M7 agenda.

Some hope that the Council will become a forum for achieving consensus and making decisions on important policy issues that are best addressed at the regional level, such as transportation. That was recently put to the test by a proposal to build a commuter rail line linking Chicago, Racine, Kenosha, and Milwaukee, to be funded by a ½ cent sales tax. The proposal faced strong opposition in some of the M7 counties, but had the support of the key business organizations. In the end, the M7 Council took a position to support a dedicated funding source for transit.

Early on, the private and public sector leaders who helped form the M7 debated the need to form an independent 501(c)3 organization to execute the group's plans. One argument for establishing a new, independent organization was to reduce the perception that this effort is centered in and focused on the city of Milwaukee. Another argument for not being tied to an existing organization was to make it easier to take positions on controversial issues. Ultimately, however, the group decided to begin as a loose council of organizations co-chaired by two local corporations and the Milwaukee Mayor and directed by an on-loan employee of the Milwaukee Development Corporation, housed in the MMAC. This arrangement is designed to realize the benefits of retaining the political clout and sense of ownership of the MMAC and GMC as well as others and to avoid creating a new organization that business leaders feared might duplicate the work of current organizations.

How does workforce development fit into these efforts?

In 2005, at the same time that the Milwaukee 7 was being launched, key leaders in education, economic development, and workforce development came together to pursue a state Growing Regional Opportunities in Wisconsin (GROW) grant and a federal WIRED grant. The partnership, called the Regional Workforce Alliance, was led by an executive leadership team from the Waukesha-Ozaukee-Washington Workforce Development Board, the City of Milwaukee, the Milwaukee Private Industry Council (now Milwaukee Area Workforce Investment Board) and the Southeast Workforce Development Board, and brought together public and private sector leaders from the seven M7 counties. It also established an oversight board of local elected officials to bring them into the planning, help them see the big picture and understand the need for transformation, and help overcome promoting their narrow interests.

In 2006, receipt of the GROW grant supported efforts to complete a region-wide "state of the workforce" report, develop a regional workforce development strategic plan, and establish a regional business services team to better coordinate employment and training services with area businesses. The grant also underwrote a comprehensive analysis of public-sector, private-sector and philanthropic funding sources for workforce development. In addition, a portion of the GROW grant supported continuing efforts to develop a region-wide strategy to increase career opportunities in science, technology, engineering, and mathematics fields and build connections to the regional 21st Century Learning Initiative in K-12 education.

The regional workforce development strategic plan developed by the Regional Workforce Alliance built on the strategic framework developed by the Milwaukee 7. In 2006, the Regional Workforce Alliance joined forces with the Milwaukee 7 to submit another application for a WIRED grant, as the talent development arm of the Milwaukee 7, and received a $5 million award. The WIRED grant is being used to align workforce development with regional economic development efforts to 1) grow, expand, and attract targeted export driver industries and emerging business clusters and 2) strengthen their capacity to innovate.

A key component of the WIRED initiative in Southeast Wisconsin is the WIRED Innovation Fund, a $2.5 million fund that is being used to invest in innovative projects and programs that can transform the workforce development system by improving its quality and efficiency. Because of a need to quickly take initiative, the first round of grants funded fairly traditional projects of traditional service providers, supplementing the usual sources of funds they rely on. To encourage system transformation and non-traditional partnerships, the second round requires evidence of collaboration across service providers and sustainable, systemic changes (such as curriculum changes). A third round is planned for 2009.

There is growing concern in the region about what will happen when the WIRED funds run out. The funds have been effective in getting a number of regional actors to the table together, particularly economic development, workforce development, and education. But it's not clear that three years is enough time to make a lasting change in the way the workforce development system operates. The Regional Workforce Alliance has gotten an extension from the Labor Department for six months, until July of 2010, that would allow them to spread their remaining funds, and buy them some additional time to work toward systemic changes.

There is a clear need for innovation in the workforce development arena. A 2006 study by UW-M's Center for Workforce Development found that there were over 100 organizations involved in workforce development in Milwaukee County alone, each with its own overhead to cover. One reason why these funds are so widely dispersed is because certain funds are often restricted to certain populations in certain jurisdictions, and different streams of funding have different administrative and reporting requirements. Another reason is because of a tendency to fund isolated programs. That causes other problems. Since each program is usually only funded for a year or two, it needs to show quick results, which causes it to go after the "low-hanging fruit" to show positive results. As a result, the funds never address the more difficult systemic problems that would take years to resolve.

The National Fund for Workforce Solutions recently awarded a grant to a loose coalition of local private foundations, corporate giving programs, and workforce intermediaries to work on getting better results from the workforce development system. This collaborative plans to use the $6-7 million in funds they have to leverage workforce innovations within targeted sectors of the economy, starting with healthcare and construction, and building career ladders within those sectors.

What is being done in the region to address the needs of the inner city?

The inner city has been hard hit by the loss of many of its largest employers as a result of relocation, downsizing and failure in the face of market changes. As noted earlier, one in four of Milwaukee's inner city residents live in poverty, compared with only one in twenty in the surrounding counties.

There have been a number of efforts over the years to address the needs of the inner city. The most significant was the Initiative for a Competitive Milwaukee (ICM) launched by the Greater Milwaukee Committee in 2003. That effort started in 2001, when the Helen Bader Foundation partnered with Michael Porter's Initiative for a Competitive Inner City to conduct an analysis of the inner city and set up a 30 member Strategy Board to put a plan together. The Strategy Board, made up of business and civic leaders, decided to focus on four industry clusters – health services, construction and development, business process service centers, and manufacturing – along with workforce development and entrepreneurship. Inclusive, community-wide 'Cluster Action Teams' developed action plans for each of the clusters and focus areas.

The kick-off of the ICM action plans was sponsored jointly by GMC and MMAC, with the GMC responsible for implementation of the action plans, and MMAC represented on the executive committee. ICM was led by the CEO of Keystone American Express Travel Services. However, the initiative floundered, in part because little was done to grow the targeted industry clusters. One reason is because the training providers mainly adopted a supply side approach, offering training for jobs that weren't necessarily in demand. Where employers were engaged, it was difficult to keep them engaged after their needs had been met. In retrospect, some Milwaukee leaders believe that the ICM effort was less successful because it was 'done in a vacuum' – separate from a broader regional economic growth plan. The lesson they suggest is that a distressed area cannot drive growth if it is not part of a broader growth strategy that includes more prosperous elements of the region.

One program that participated in ICM but has operated independently for over a decade is the training program for the construction industry, run by the Wisconsin Regional Training Partnership (WRTP). It has strong ownership from the building trades unions, which have provided the leadership to sustain this effort. Another program that has continued since the ICM is an effort to develop minority-owned businesses and entrepreneurs in the inner city. The Supplier Diversity Module, operated by The Business Council in conjunction with the MMAC, continues to match minority businesses with large corporations in the region to generate new business and a broader pool of qualified minority vendors.

Currently, there doesn't appear to be a comprehensive strategy for addressing the needs of inner city residents. The city's economic development department mainly focuses on revitalizing the downtown business district and on attracting young professionals to the city. The M7 focuses mainly on the region as a whole, as does the Regional Workforce Alliance, although some of the WIRED funds are being used support programs in the inner city. WIRED funds are, for example, now being used to demonstrate inner city workforce projects that can be applied consistently in Milwaukee, Waukesha and Racine, where pockets of inner city poverty are concentrated. If successful, the aim is to integrate these approaches into the traditional WIB funding streams. Examples include a "Safe Streets" program to divert and train gang related youth before they go to prison, and a drug recovery case management approach. Though ARRA stimulus funding in Wisconsin is focused on sector training, local experience suggests that case management and life skills training are necessary before sector training will stick.

Overall, efforts to address inner city needs have been mainly piecemeal and fragmented, which dilutes their impact. In an effort to change that, in 2007 Milwaukee's mayor took control of the $14 million workforce development budget being managed by the county, created a Mayor's Office of Workforce Development, organized a Workforce Investment Board to oversee it, and began looking for ways to braid together the funding streams for the Workforce Investment Act programs, the welfare to work program, and the food stamp employment and training program.

There is hope that the Workforce Investment Board will be a forum for developing a strategy for the inner city. Indeed, they have begun to make some progress in that direction by identifying key industry clusters in the inner city economy and by creating a business services unit for a single point of contact. But, the workforce development agency will need a significant overhaul before it can be expected to play a major role. That process is under way, but it will likely take some time, given the level of dysfunction that prevailed before the transfer to the city.

Milwaukee's workforce development agency faces a big challenge in helping inner city residents make it to the first rung of career ladders being developed through other programs. With Milwaukee's low graduation rate, there is a substantial portion of the population who lack the basic skills to succeed in the existing training programs. And they are also faced with the challenge of helping an estimated 7,800 former inmates returning to the community each year to find gainful employment.

Once there is a strategy in place for the city, it will take a substantial investment of resources. The city and county of Milwaukee don't have the necessary resources, or the ability to generate them on their own. One option would be to turn to the surrounding counties, with the argument that a healthy inner city is vital to the economic growth of the region. But, so far, there's not a lot of evidence to support that argument. The surrounding counties have been successful in growing their economies in spite of the problems in the inner city. So, the surrounding counties have been mainly indifferent to the problems of Milwaukee's inner city, and resistant to funding anything that is seen as mainly benefiting the city.

The business community could help overcome that resistance by promoting a regional economic agenda that trumps local political interests, as they have in the recent battle over the commuter rail line, where support from the GMC and the MMAC played a critical role in the outcome. There is some hope that the business communities will take the next step and support a light rail or other regional transportation system, for which $91.5 million in federal funds have been locked in a stalemate between City and County until recently, when these funds were split by legislators, giving $50 million to the City and $41.5 million to the County. If a proposed Regional Transportation Act passes, the region is expected to invest in express busses and high-speed rail. That would help break down one of the biggest barriers to employment of inner city residents in Milwaukee – access to jobs in the surrounding counties.

Another option for additional funding would be to turn to the state legislature. However, in recent years, the prevailing view in the legislature has been that Milwaukee, Wisconsin's largest city, has limitless and intractable needs that suck up state resources, in part because past expenditures of state funds have made little difference. But, that view may change in the new legislature, which is now controlled by the same party in both houses, along with the governor's mansion.