

# WIRED to the Innovation Economy



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EMPLOYMENT AND TRAINING ADMINISTRATION  
UNITED STATES DEPARTMENT OF LABOR

# Overview:



- 🌐 Workforce system and its evolution.
- 🌐 Defining today's innovation economy.
- 🌐 WIRED Initiative and talent development – a driver of regional economic growth.

# 1930s – The Birth of the Workforce System



- 🌐 U.S. Employment Service & Unemployment Insurance Program were created to assist unemployed workers.
- 🌐 The economy of the day was industrial with:
  - Interchangeable labor
  - Cyclical layoff and hiring patterns
  - Work that required just a High School diploma.
- 🌐 70 years later, the Employment Service remains virtually unchanged.

# 1960s to 1990s – Expansion into Job Training



- 🌐 An ever-growing job training system was built:
  - The Manpower Development and Training Act (MDTA) - 1962.
  - The Comprehensive Employment and Training Act (CETA) – 1973
  - The Job Training Partnership Act (JTPA) - 1982
- 🌐 Had little private sector involvement.
- 🌐 Separate from Employment Service.

# 1998 Workforce Investment Act



- The Workforce Investment Act (WIA):
  - Streamline service delivery through One-Stop Career Centers;
  - Strengthen performance accountability;
  - Promote universal access to services;
  - Create business-led state and local boards;
  - Promote individual choice.
- Strong bi-partisan support.

# Workforce Investment System Spending



<u>Department</u>	<u>FY06 Appropriation</u>
Labor	\$9.89 billion
Education	\$4.40 billion
HHS	\$701 million
HUD	\$49.5 million
<b>Total</b>	<b>\$15.04 billion</b>

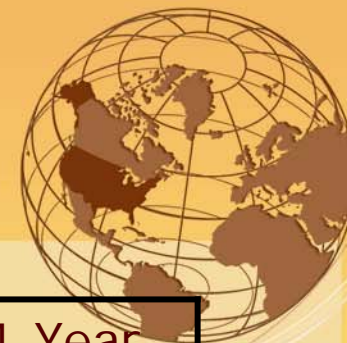


# Evolution of the Economy



- 🌐 When the workforce system was first created:
  - U.S. was an industrial economy
  - Labor was virtually interchangeable
- 🌐 Now in a knowledge economy – specialized skills are needed.
  - 90% of the fastest growing jobs require education and training past high school.
  - 63% of high wage, high growth jobs in the next decade will require a bachelor's degree; only 28% of the population has a bachelor's degree.

# Evolution of the Economy



	Less than High School	High School Grad	Some College	Assoc. Degree	4-Year Degree and Higher
Employment Growth (thousands)	180	305	250	269	1,424
Median Weekly Earnings	\$419	\$595	\$692	\$692	\$1039
Unemployment Rate	6.8%	4.3%	3.9%	3.1%	2.1%

Source: BLS Current Population Survey 2006



# Evolution of the Economy



- A fragmented, social service system was sufficient for the economy of the 20<sup>th</sup> Century, but can no longer meet the demands of the global economy.
- Individuals must be able to constantly update their skills and employers must have real-time access to needed talent.

# Transforming the Workforce System



- Through the stages of evolution, the workforce system has always operated outside the other economic structures of a community.
  - Little or no interaction with area employers
  - Minimal contact with existing education institutions; instead created own cottage industry of job trainers
  - No coordination with economic development
- Each of these issues is now being addressed by national initiatives

# President's High Growth Job Training Initiative



- Involved employers from leading sectors of the economy in the design and development of training programs.
- Used existing education resources such as community colleges.
- Invested over \$285 million in 150 projects that develop education and training solutions to specific workforce challenges.

# President's Community-Based Job Training Grants



- Experience with the High Growth Initiative showed that community colleges must improve their ability to develop talent through:
  - Stronger relationships with employers
  - Expanded and specialized faculty
  - Improved facilities
  - Up-to-date equipment
- 142 grants totaling \$250 million were awarded in 2005 and 2006.

# Economic Development



- Workforce development is more than training effectively for current jobs. Successful workforce investment leads to the creation of new jobs. Talent is an asset, bringing new businesses and industries into communities.
- Economic development is also experiencing a transformation. Tax breaks and incentive packages are no longer enough.

# Why Talent Matters



## Factors Rated “Very Important” in Site Selection\*

1. Availability of Skilled Labor	58.5%
2. Highway Accessibility	57.0%
3. State & Local Incentives	54.8%
4. Tax Incentives	54.3%
5. Corporate Tax Rate	49.5%
6. Availability of High-Speed Internet	49.4%

\* 2005 *Area Development* Corporate Survey



# Innovation Economy



- Economic development must establish the conditions for innovation.
- CoC's report *Innovate America* identified three requirements for innovation:
  - Infrastructure (transportation, technology)
  - Investment (availability of capital)
  - Talent
- Conditions should be maximized at the regional level – forces of the economy combine to spur growth.

# Innovation Defined

*Innovation resides at the intersection of invention and insight, leading to the creation of social and economic value.*

*National Innovation Initiative*



# What is the Innovation Economy?



## The Rise of the Entrepreneurial Class

- 🌐 Jobs! 60-80% of net new jobs are created from small businesses.
- 🌐 Innovation. Small business entrepreneurs account for 13 times more patents per employee than large patenting firms.
- 🌐 Prosperity. Small businesses represent 50% of US GDP.
- 🌐 Presence. Over 25m small business in nationwide.
- 🌐 Global Impact. Small business make up 97% of US exporters.

Source: US Small Business Administration

# U.S. Entrepreneurial Activity



## “GAZELLES”

- 3/4 of all net new jobs are being created by 350,000 new fast-growing companies
- 12% of the US Adult population early-stage entrepreneurial activity
- The United States continues to dominate venture capital investment in fast growing high-tech companies, investing six times as much as all European nations combined.

Source: Global Entrepreneurship Monitor – 2005 Executive Report

*The ability to garner the required resources and overcome all impediments by seizing new business opportunities **defines** entrepreneurship.*

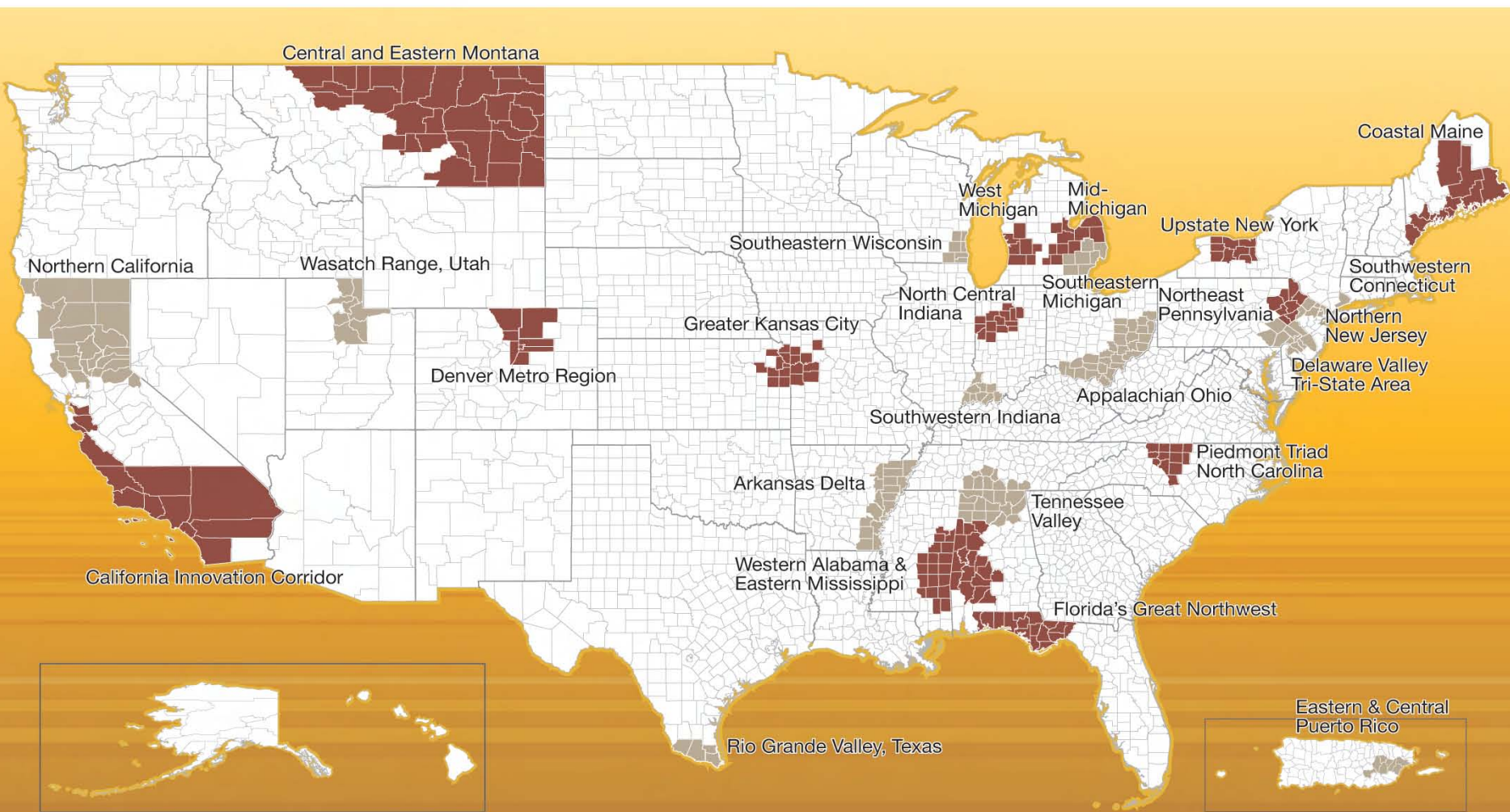
# Workforce Innovation in Regional Economic Development



- WIRED is focusing on the talent development part of building a regional economy.
- The Goal:
  - Expand employment and advancement opportunities for workers while simultaneously catalyzing the creation of high-skill, high-wage jobs.



# First & Second Generation WIRED Regions



First Generation       Second Generation





# WIRED in Action



- 🌐 Resources to the 26 WIRED Regions:
  - \$15 million over 3 years for Gen I
  - \$5 million over 3 years for Gen II
  - Extensive technical assistance from leading groups.
  - Data tool that incorporates economic, research & development, investment, and real-time job information.
    - Picture of regional economy and economic assets.

# WIRED in Action



- Activities in support of WIRED Regions:
  - Senior ETA Managers and Emerging ETA Leaders assigned to each region to guide and assist.
  - WIRED Academies focusing on issues with nationally recognized speakers.
  - Connections to USDA, Commerce, and other Federal agencies to identify, understand, access, and leverage additional resources.
  - ETA Issue Area Teams to gather information and identify resources on issues common to WIRED regions (e.g., small business development, investment capital, etc.)

# WIRED in Action



## Regional Activities:

- Formation of a broad-based regional leadership team
- Assessment of region-wide assets and strengths, risks and weaknesses.
- Development of a comprehensive implementation plan for the region identifying how WIRED and other resources support regional economic goals and strategies.

# The 3<sup>rd</sup> Generation



- SGA issued February 13, 2007
- Proposals due April 13, 2007
- \$5 million over 3 years
- Workforce System must be lead or co-lead.

# The 3<sup>rd</sup> Generation



- Key elements of proposal
  - Definition of Region
  - Current Labor Market Situation
  - Identification of Partnerships
  - Strategies for Economic and Systemic Transformation
  - Identification and Leveraging of Resources.

# Overall WIRED Goals



Create and implement a regional strategy that will:

1. Establish and build a regional identity across political jurisdictions.
2. Leverage and align public and private investments.
3. Transform the regional economy through innovative and effective talent development.