MAYOR’S WAGE GROWTH TASK FORCE

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Tina Peterson, President and CEO, Community Foundation, Bloomington, Monroe County
Joseph Varga, Department of Labor Studies, Indiana University
Ron Walker, Vice President, Commercial Real Estate, CFC Properties
Linda Williamson, Mayor’s Liaison for Economic Development
MAYOR’S WAGE GROWTH TASK FORCE EXECUTIVE SUMMARY

Committee: Chairs: David Audretsch, Jane Martin
Members: Jerry Conover, Lynn Coyne, John Fernandez, Liz Fietl, Tom Guevara, William Morris, Kathleen Oliver, Tina Peterson, Joe Varga, Linda Williamson. Mayor’s Liaison, Ron Walker

Mandate: Develop an action plan to accelerate wage growth in the Bloomington/ Monroe County MSA to reverse economic underperformance relative to the State and Nation since the Great Recession of 2008-9.

Local/ National Employment Backdrop: Manufacturing employment peaked in 1973 at 30% of the workforce and most low skilled manufacturing jobs have been exported. Yet US Manufacturing output has doubled in that period but the mix has shifted to aircraft/aerospace, industrial machines, and advanced medical equipment. From 1973 – 2013 US worker productivity increased 74% but hourly compensation increased only 9% in 40 years. Coincident with the plummeting of blue collar jobs, innovation employment has more than doubled with salaries rising faster. Bloomington’s wage growth has failed to fully recover since 2008-9 and the poverty rate is 24% – above comparable college towns of its size.

Interviews with Bloomington’s innovation businesses reveal several structural problems:

- Unclear regulations cause costly time delays, require hiring of legal and engineering experts and often Planning and City Council change directives from meeting to meeting. Leadership seems uninterested in growth/expansion.
- Smaller companies need help competing with larger employers on benefit plans.
- Local innovation companies operate in isolation, do not collaborate, share ideas, co-market and do not think of themselves as a community, an ecosystem.
- For a community to keep its graduates and for innovation businesses to expand, relocate or open satellite offices here, employers and employees need to know “What does Bloomington offer?”

America is at a Crossroads: The college graduation rate in the US has remained unchanged over the last three decades. Where will the workers with the requisite education and skill levels come from to fill the exploding demand in innovation and technology? Will America respond by equipping its citizens with the needed skills and education to drive productivity, or will this be an America of deteriorating skills, diminished opportunities, limited horizons and paralyzing pessimism? Will America be able to provide the educated and skilled workforce needed for these innovation and technology jobs? Will this be an America of ever increasing education, productivity, pragmatic optimism or the America of deteriorating skills, shrinking horizons and paralyzing pessimism?

Toward a Solution: At its peak US Manufacturing was only 30% of the labor force. The vast majority of jobs are local – teachers, barbers, dentists, waiters, Uber drivers – which cannot be exported. Each new innovation job creates 5 non-exportable jobs (2 professional and 3 service at higher average wages.) Cities must offer something more than great cultural meccas or retirement communities in order to be economically viable. They need a diverse and growing economic climate. Such communities as Santa Barbara, Santa Fe, Berlin, etc. have low economic vitality and diversity and an aging population.

Six Initiatives for Bloomington:

- **Branding Bloomington**: Answering the question why locate to Bloomington? Being a cultural crossroads for tourism and retirement does not produce economic viability, diversity and growth. Building on our existing clusters of life sciences, light manufacturing, Information Technology and Craft Spirits creates an economic identity that is unique and compelling.
- **Creating an Innovation Culture** among Bloomington’s City and County leaders and staff aligned behind shared objectives for economic and cultural growth begins with Rainforest Scorecard Assessment and includes community-wide facilitated discussions.
- **Creating Quarterly Business/ Academic/ Stakeholder Gatherings** to cross pollinate ideas, business connections, collaborations, co-marketing, co-selling opportunities and building a sense of community.
- **Focusing concerted time and money strengthening early childhood education** in cooperation with the Community Foundation’s initiatives in order to support local families and prepare the upcoming generation for careers in the innovation economy.
- **Skills Gap Training** to match Bloomington’s existing labor pool with high demand/ high wage local jobs. This requires analyzing which skills gaps exist and which high demand jobs are unfilled and using Community Foundation workforce training programs and Ivy Tech’s Corporate College offerings to fill workforce gaps.
- **Solving the problem of smaller, fast growth companies inability to compete for labor on benefits** could be a marquis recruiting tool for our local economy. Several providers are listed who may be able to customize a cost effective plan by grouping a dozen or more companies and several hundred employees into an umbrella group.
**Mayor’s Mandate:**

Mayor John Hamilton formed this Committee with a mandate to provide recommendations on actions that would elevate and enhance the standard of living and, in particular, the wages in Bloomington.

**Methodology:**

In 2016, the Committee met and began sorting Initiatives (many of which are already in process) into 6 categories:

1. Branding
2. Innovation Culture
4. Early Childhood Initiatives
5. Skills Gap Training
6. Group Healthcare Plan for Small and Early Stage Companies

**Bloomington Falling Behind:**

Historically, Bloomington’s economy avoided the major swings in the US economy. Unemployment rates were typically among the lowest statewide and nationally. Bloomington, however, was not immune from the impact of the great recession that began in 2007. Today the durability of Bloomington’s economic foundation is in doubt. A major challenge confronting Bloomington is to harness the opportunities afforded by globalization rather than succumbing as a victim. In particular, Bloomington needs to better leverage its collective resources in fostering a better prepared work force to effectively compete using its strongest industry cluster assets. As a result of technological advances, the “good paying” manufacturing jobs of the last generation have been disappearing, even discounting pressures from trade. The failure to recognize the shifting forces of global competitiveness and to leverage its own technological strengths, may be a major contributor to the wage stagnation and needed development in Bloomington.

See Appendix A for Bloomington’s Current Economic State.

See Appendix B for information on Entrepreneurial Ecosystems.

**INITIATIVES**

To enable Bloomington to become a community with higher wages, the Committee concluded that the key to addressing the concerns and constraints inhibiting wage growth in Bloomington identified in our interviews and discussions with local constituents involves a combination of initiatives as follows: (1) branding who we are, (2) focusing on creating an innovation culture to attract those jobs, (3) creating business collaborations/cross pollination and community building, (4) focusing on early childhood education to prepare our children for these careers, (5) retraining our work forces to fill their skills gaps, and (6) considering an umbrella benefit plan so smaller companies can compete for labor.
1. **BRANDING BLOOMINGTON**

**Point Person(s):** Kathleen Oliver, William Morris & David Audretsch

Today, how people in a community think of themselves and how others view that community, or the brand, matters. In other words, brand is the sum of who you are and what you do. It drives the decision of people, organizations and companies to making a commitment to remain or locate in that community. If a community has done a particularly good job at identifying and understanding its brand, *it will actually be used to guide decision-making, almost like a city-wide mission statement.*

Pivot Marketing has already engaged in a study of branding for Visit Bloomington. The Report identifies a distinct personality underlying Bloomington’s brand – progressive, academic, accepting, elevated and hip. This might lead to positing the unique and distinctive brand, Bloomington *is for Idealists.* An idealist is a dreamer, a visionary, a wishful thinker. They see what’s possible and move toward the future, undeterred.

Perceptions of Bloomington, reflect the general community, consisting of Indiana University, the arts, cultural variety, food and music, outdoor activities, such as hiking, boating, biking and running, facilitated by the rich array of forests, lakes, and hiking trails, along with the inclusive community and broad political involvement. There are also viable businesses comprising dynamic industry clusters in light manufacturing, and a number of companies in craft beverages, ranging from wineries, to breweries, distilleries, coffee roasters and shops.

What Bloomington seems to want to be known for, in terms of economic activity, revolves around life sciences, innovation, technology, sustainability, and also the arts, entertainment and general life-style. These industries reflect the unique combination of human talent and creativity along with the university and community assets enjoyed by Bloomington.

Developing a brand for cities typically involves seven steps: (1) defining clear objectives, (2) understanding the target audience, (3) identifying the current image and identify, (4) setting the aspirational brand identity, (5) developing the position, (5) creating value propositions, (7) executing the brand strategy, and (8) measuring the impact and success of the brand.

**THE PLAN:**

- Champion of plan should be Mayor’s Communication Director.
- Creating a Working Group or Task Force from the community constituents, including targeted innovation business executives with an explicit mandate to create and develop a brand for Bloomington.
- Hiring an external consulting organization to do the same, or
- A combination of both. We would recommend that the very positive and valuable progress toward creating a Bloomington Brand already undertaken by Pivot Marketing be leveraged.
- Keep Bloomington website fresh.

**Items for potential consideration:**

- Highlight what differentiates us from other cities.
- Innovation company executives should be part of the task force.
- Identify weaknesses and areas of potential improvement, such as business regulatory climate,
relationships among public-private entities.

- Identify aspirational initiatives—what do we want to be in the future?
- Internal and external communications of branding—how to “market” this to residents and broader audience.

Other suggestions involve updating the BEDC website to include:

- Value Statement on home page.
- Positive statistics on home page.
- Add more resource links
- Add Sustainability category.
- Highlight more initiatives in various categories.
- More photos of Bloomington—show where people live, work & play.
- Tell the story of who we are and what we have to offer.
- Testimonials from businesses, entrepreneurs, IU-City collaboration, why people relocate here.
- Highlight our heritage.

2. **INNOVATION CULTURE**

Point Person(s): Tom Guevara & Tina Peterson

Innovation is “the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations.”² This definition does not address in any meaningful way how an organization or group of stakeholders can work together to induce or expand the environment where innovation is a prevalent feature of the local economy. This section addresses an important first step to increasing innovation in our community.

- Innovation requires both hard assets plus community stakeholders who know how to, and seek to, combine their assets with the knowledge and expertise of others to achieve economic and social good.
- Community-wide leadership is required, from both the public and private sectors. Local government assumes an important leadership position because of its unique ability to reduce transaction costs across a wide swath of business and industry. It can invest in shared resources that lower start-up, acceleration, growth and competition costs for businesses. Finally, government possesses the bully pulpit of community consciousness that can encourage the kind of collaboration needed between innovation asset holders who can build a true innovation “ecosystem.”
- Innovation leadership training for Bloomington is desperately required, however. This training starts with objective assessment of the current practices which stimulate or inhibit innovation in a community, including how physical assets and human resources are utilized to foster innovation. After assessment, training and feedback are needed over an extended period to build the regular habits and norms of interaction that define an innovation culture.
- Every department in the city and county, and leader-stakeholders such as the Mayor, County commissioners, City Council, county Council and the executive leadership of Indiana University and Ivy Tech have the ability to lead our community in fostering greater innovation and resulting wage growth. Their collective action can provide the voice, role models and habits to jump start and engage the rest of the community in making Bloomington and the surrounding region a true innovation hub, with the resources to improve the wages and quality of life for all.
An important first step is to assess objectively the current state of the community innovation environment. Several recommendations include:

- Local leaders should complete the Short-Form version of the Rain Forest Scorecard: A Practical Framework For Growing innovation Potential, facilitated by an outside party, possibly The Rain Forest Scorecard. (The Rainforest Scorecard is available for free non-commercial use under a creative common license from rfs-lip.com.) This is a simple and straightforward exercise that takes less than 30 minutes to complete in advance of a leadership workshop that will examine the results, define a current state and create the information needed to discuss strategies and actions to improve the community’s “innovation fitness.”

- The facilitators should then lead a discussion on findings with the objective of determining how the community can bend toward innovation and why that is important. Equally as important is that facilitated discussions with an outside expert that will provide feedback on the behaviors, communications and habits that local leaders can practice to increase their leadership skills and drive an innovation culture throughout the community in partnership with the business community and entrepreneurs.

- Every department in the city and county and stakeholders, i.e., County Commissioners, City Council, etc. should go through “innovation training” with the objective of creating a new outlook on solving the problems of wage stagnation and forming a consensus that directs economic growth toward a healthier and more vibrant workforce and community, with greater opportunities for all to achieve the quality of life they desire for themselves, their families and community.

Bloomington and Monroe County already has a great creative culture filled with welcoming community spaces, arts and music that when combined with Indiana University, Ivy Tech, provide the backdrop for attracting innovators and entrepreneurs who will contribute their natural strengths to a greater innovation-based economy and longer term wage growth. Great places to live, however, do not translate into economically viable communities. The question remains how will we get city and county leaders on the same page in directing our inevitable growth?

**The Plan:**

- Champion of plan should be Mayor’s Innovation Director.
- We need to agree on what types of businesses we want and get all stakeholders on board with that objective-city/county leaders, regulators, department heads, commissions and committees.
- Run all through the short version of The Rain Forest Scorecard, facilitated by an outside party, possibly The Rain Forest Scorecard authors (Alistair Brett and Henry Doss).
- Facilitators lead a discussion on findings with a discussion on how the community can bend toward innovation and why that is important.

3. **BUSINESS COLLABORATION/CROSS POLLINATION/ TECH PARTNERSHIPS**

Point Person: Jane Martin

Addressing cooperation and collaboration among Bloomington and Monroe County’s great businesses will provide the following advantages:

- Create a sense of community among local innovation companies which will spread to greater concern
about the broader community.

- Collaboration among local businesses will lead to cooperative business relationships, co-marketing opportunities, sharing problems and solutions, etc.
- New and innovative ways to expand may be derived.

The Plan:

- Champion of plan should be Mayor’s Director of Economic and Sustainable Development.
- Begin quarterly ‘Cocktail Hour’ meeting around a speaker, Q&A, and mingling (initiated at Upland Brewery w/Jane Martin and Gary Anderson speaking on “Stories, Lessons & Mistakes from 2 bicoastal Venture Capitalist” Oct. 19, 2016).
- Study Techpoint and IEDC offerings with prospect of community partnerships for Bloomington and Monroe County.
- Consider economic development trips to Silicon Valley, Indianapolis and Boston to raise prospect of ‘satellite’ offices in Bloomington.

4. **EARLY CHILDHOOD INITIATIVES**

Point Person(s): Tom Guevara & Tina Peterson

It is critical that our community build a workforce capable of finding employment in the innovation economy. A key metric for whether a child will even graduate from High School is **third grade reading level**. And what governs third grade reading level is the **number of words a child hears in his or her first two years of life**. This means that support for families at the earliest stages, continuing with pre-school availability and through the early grade school years has a profound effect on our future workforce and the vitality of our community for a generation or more.4

The Plan:

- Champion of plan should be Mayor’s Director of Community and Family Resources.
- Helping to raise awareness about the quality of early childhood education for all children. Suggestions including a community wide campaign to educate parents, grandparents, and guardians, frequently updating the City’s Early Care Guide in both printed and electronic formats and continuing to include the Paths to QUALITY™ rating for each provider will continue to educate families about the importance of quality care.
- Incentivizing and supporting an increase in the number of no to low cost options for preschool. Additional programs would have to be established or existing ones expanded. Options could include.5
- Evaluating the potential for better aligning transportation schedules to support families using public transportation to get children to child care and themselves to work in a timely manner.
- Helping to address the significant shortage of qualified child care workers. This might include providing a free online marketplace for early care jobs in the community and crating loan forgiveness programs for those with an associate’s or master’s degree who choose to re-tool for a career in early education.
- Providing leadership to address the funding shortfall for pre-school. For example, Early Learning Indiana (ELI), a Lilly funded initiative, is organizing communities across the state to speak up loudly prior to the upcoming legislative session to encourage state funding for early childhood education and/or public-private partnerships could be created to fund early childhood education in Bloomington/Monroe County.
5. **SKILLS GAP TRAINING**  
Point Person(s): Tom Guevara, Tina Peterson, Joe Varga & Jane Martin

According to The Markle Foundation*, [https://www.youtube.com/watch?v=9QHh_i-Idrs](https://www.youtube.com/watch?v=9QHh_i-Idrs), there are tens of millions of high paying jobs that go unfilled in the U.S. and tens of millions of people who lack one or more skills to fill those jobs.

Southwest Central Indiana did not lose jobs to the same extent as the rest of the state or the nation when the recession hit. However, we have significantly lagged both the US and Indiana in employment since 2012. Accelerating our efforts to grow our innovation ecosystem and supporting efforts to connect and align our sectors relative to technology advances will prove to be critical.

The preliminary results of the Occupational Needs Assessment being conducted by ROI indicate that occupations in the information technology sector offer significant potential for growth of high wage jobs. In the eight occupations identified in our regional analysis for IT jobs, the median hourly earnings across occupations is $30.43/hour but range from $49.20/hour to $18.49/hour. The greatest opportunity for employment currently appears to exist for computer System Analysts ($30.42/hour) and Computer User Support Specialists ($18.49).

Efforts to provide IT training for both the incumbent and emerging workforce would seem to be a wise investment for our community as this skill set is highly sought after across all industry sectors. Increasing our focus on the attraction, retention, and growth of technology related entities would also seem to offer benefit to our current and future workforce.

Detailed results of the ROI Occupational Needs Assessment across industry sectors will be available by year end and could be helpful in identifying approaches to addressing the skills gap and wage growth in the region.

Ivy Tech Community College is a premier provider of quality workforce training for business, industry, organizations, and individuals. Its Corporate College/Workforce Development division contributes to business success through talent development, organizational improvement and increased productivity and profitability. In the 2015-2016 year Ivy Tech has provided training for 20 individual companies and nearly 1000 participants. Clients include Cummins, Rolls Royce, Hoosier Energy, Smithville Telecom, Work One, US Army and many more. Classes are available currently in subjects ranging from Leadership Training, Six Sigma, Fluid Power Basics to Adobe in Design and Critical Thinking. Customizable training on any subject is also an option. Information on Corporate College/Workforce Development’s expansive training offerings is available from Katrinka Schroeder, Workforce Development Consultant, 812/330-6004, kschoeder13@ivytech.edu.

The Plan:

- The Mayor should identify an appropriate champion for the plan.
- If the City/County can analyze where the gaps are and initiate skills gap training to allow employees to fill those jobs there could be meaningful impact on employment and wage growth.
- The city needs to determine how it can plug into the initiatives of The Community Foundation?

6. **GROUP HEALTHCARE PLAN FOR SMALL AND EARLY STAGE COMPANIES**  
Point Person(s) Lynn Coyne, Liz Feitl & Ron Walker
Several fast growth local businesses indicated a problem with being able to compete for employees on benefit plans with large employers in town, such as I.U. and the Hospital.

The Committee explored several organizations that may be able to customize a benefit plan in a group for these companies which likely will represent a dozen or more companies and several thousand employees. It is likely that combining such a way could allow each smaller company to both reduce its overall benefit costs and offer a more competitive benefit package. Two potential options for small employers are:

- Professional Employer Organizations (PEO's). PEO’s serve as a central administrative entity that “brokers” various benefit coverages for its small business customers, enabling them to aggregate buying power. PEO’s have trained management and administration that is not usually affordable to the smaller business. As a business model, PEO’s must necessarily charge for their services in addition to passing through premiums and other benefit costs. In some cases, they can serve as outsourced “human relations department” for the smaller employer.6
- Indiana University health (IUH) for health care groups. IUH has its own group plans for as few as 2 employees. Indiana University Health Bloomington Hospital is a major provider of health in our region and state and its network could likely provide for the healthcare needs of most employees. Direct participation in a healthcare system provided group plan may offer the opportunity for reduced cost to the employer and employee.7

The Plan:

- The Mayor should identify an appropriate champion for the plan.
- The Mayor should appoint a point person to head up an investigation of whether one or more of these organizations would put a customized plan in place with competitive rates, if we could get a dozen or more companies and 500-1000 employees signed up.
- Reach out to Chris Schrader of Shrader and Associates, a local human resources consultant (www.chrissthepro.com) who was consulted for his expertise and broad exposure to the small employer market. His input and insights were very valuable and he could serve as an independent resource going forward. He can be reached at Schrader & Associates, 899 South College Mall Road, Suite 359, Bloomington, IN 47401; 812-322-0380; chris@christhepro.com.

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2 From the Oslo Manual ((OECD), 2005, p. 46)
3 (T20059_RainforestAssessment_Book_8X10_v WEB7. pdf )
4 In his book, Investing in Kids, Tim Bartik, Senior Economist, Upjohn Institute, makes the case that investing in early childhood education is an effective economic development tool on par with various forms of business related tax incentives. As it relates to our conversation about wage growth, Bartik finds that universal Pre-K education provides both short and long-term increases in earnings per capita. Most immediately, the availability of early childhood education programs increases the education and labor supply of adults. Longer term benefits accrue to children who participate in quality pre-k programs. According to the Pew Charitable Trusts, research demonstrates that high-quality pre-k increases a child's chances of succeeding in school and in life. Children who attend high-quality programs are less likely to be held back a grade, less likely to need special education, and more likely to graduate from high school. They also have higher earnings as adults and are less likely to become dependent on welfare or involved with law enforcement.
5 a. Partnering with the Community Foundation to provide funding for the nine licensed ministry programs to become eligible for participation in Paths to QUALITY™ by obtaining the Voluntary Certification Program (VCP) which generally entails upgrading the
structure to safety requirements (i.e., anti-scald valves, hard wired fire alarms, and lighting).

b. Exploring opportunities for the city to model employer engagement in early childhood education initiatives. This could include adding early childhood benefits for employees (a step recently taken by Cook Medical) or establishing a childcare program/center for city employees.

6 One example of a PEO is Human Capital Concepts, LLC, (HCC) located in Indianapolis. It serves clients by providing a broad range of human resources services for the small employer and can design programs that are scalable and has access to a variety of providers. Human Capital Concepts, LLC, can be reached (317) 489-0458 and http://www.hcchr.com. Startups and small employers could be encouraged to consult with HCC to determine eligibility and costs for participation.

7 IUH plans can be considered by contacting Rick Bivens or Lisa Seifert, Account Executives, Indiana University Health Plans, Gateway Building, 950 N. Meridian Street, Suite 200, Indianapolis, IN 46404; rbivens1@iuhealth.org or lseifert@iuhealth.org; phone 317-963-9873.
Appendix A: Bloomington’s Current Economic State

Looking at the overall performance of Bloomington’s economy, we see mixed results. From the period of 1998 to 2013, GDP per capita and annual wages track our historic trends. We started to see increases in unemployment and poverty rates that deviated from our past experience. In fact, our community experienced one of the highest jumps in poverty rates and this should be a cause for concern. (See Figure 1 below).

![Performance](image)


**Employment**

- Prior to the 2007 recession, total payroll jobs were increasing at about 1% annually. Post-recession, however, employment declined slightly. The local economy lost 483 jobs from 2007 through 2015, a 1% decrease in employment.
• In 2001 manufacturing was the county’s largest sector, with 13.5 percent of all payroll jobs. By 2015 it had shrunk to 11.0 percent of total jobs.

• Other sectors with notable job loss from 2001 to 2015 include construction (-384 jobs) and professional and business services (-390 jobs).

• In contrast, employment growth occurred across these 15 years in service-providing sectors (+3,296 jobs), which accounted for 58.5 percent of all Monroe County payroll jobs in 2015.

• Education and health services accounted for a large share (1,840) of the new jobs, as did leisure and hospitality (1,712).

• The county’s largest sector, with 9,659 jobs in 2015, was trade, transportation & utilities—just 2 jobs greater than the sector’s size in 2001.

Wages

• The average annual wage (unadjusted for inflation) for payroll jobs in Monroe County increased across all but one sector (natural resources & mining) from 2001 to 2015.

• Across all sectors combined, average annual wages rose steadily from $28,013 in 2001 to $40,592 in 2015, a 45 percent increase (or 35 percent, adjusting for inflation).

• Annual wage growth averaged 2% during this period, roughly just enough to keep pace with inflation.

• Annual wages grew most rapidly across this period in the professional-and-business-services sector, rising 84 percent (unadjusted for inflation) to an average of $51,504 per year.

• Financial activities also experienced above-average growth with a 61 percent gain over the 15 year period.

• Education & health services, information, and manufacturing saw wage growth in the 30-40 percent range.

• Wages in the natural resources and mining sector, in contrast, fell by more than 8 percent.

Personal Income

• Real Personal Income\(^1\) (i.e., adjusted for inflation) in the Bloomington metropolitan statistical area (MSA) slipped by nearly 3 percent from 2008 to 2009.

• Since 2009, PI rose to 3.7 percent above its 2008 level.

• This represents PI growth in the MSA of more than $191 million across these seven years.

• Real per-capita personal income\(^2\) was relatively flat across the seven years, starting at $33,125 and ending at $32,647.

• Bloomington MSA’s population has grown slightly more quickly than has personal income.

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\(^1\) Personal income includes not only wages and salaries, but also supplements to wages and salaries; income individuals receive from investment assets; and transfer receipts from the government such as Social Security, veteran’s benefits and unemployment benefits.
Since the MSA’s population also grew during this period, it’s helpful to examine per-capita personal income (PCPI) to control for population growth. (Note that this adjustment uses the entire population, not just employed individuals.)

**Going Forward**

The increasing pace of globalization, digitization and disruptive innovation are impacting nearly every sector of the US economy. These trends are impacting every sector of Bloomington’s economy. Local leadership, public and private, must come to grips with this new normal as we develop a strategic path forward to accelerate the growth of high growth/higher wage companies.

As Bloomington's leadership develops this strategic response, we note that our economy has a number of sector strengths, particularly in the area of traded clusters that can be a foundation for future economic growth. (See Figure 2)

**Figure 2**


Importantly, as Bloomington develops new economic growth strategies, it is important to understand the relationships and linkages between related clusters. (See Figure 3) Understanding and exploiting relationships between related clusters will enable the community to more effectively lever investments.
Poverty
Like many college towns, the Bloomington area tends to have relatively low average wages and high rates of poverty compared to many cities. Still, the poverty rate of Bloomington exceeds that of most other comparable college towns. The 2014 poverty rate of Bloomington was 24.0 percent, which exceed that of 22.6 percent in Urbana-Champaign, 15.9 percent in Iowa City, 17.9 percent in University Park, Pennsylvania, and 20.1 percent in East Lansing. If student households
are excluded, the poverty rate in Bloomington falls to 13.2% (based on 2010-2014 PUMS ACS data for Monroe County from the Census Bureau).

Similarly, incomes also tend to be lower in Bloomington than in comparable college communities. The 2014 median income of $43,841 is lower than that of $47,966 in Urbana-Champaign, $59,946 in Iowa City, $51,473 in University Park, and $46,276 in West Lafayette.

Underlying Causes

To identify why wage growth has been particularly stagnant in Bloomington, the Committee conducted a series of interviews and discussions with fast growth and innovative businesses, along with other stakeholders, revealing that the constraints to wage growth are exacerbated by:

- Unclear regulations cause huge time delays, huge costs hiring experts, legal help and engineering resources. Planning Commission and City Council often change their mind on what the requirements are. No one seems interested in any growth or expansion.
- Small, growing companies need help competing with larger employers on benefits for employees. Perhaps the city/county could put a group plan together that smaller companies could join and gain similar economies of scale commensurate with larger employers.
- Local fast growth companies do not know about each other, do not collaborate, and do not think of themselves as a ‘community.’ (Co-work has begun an effort to create community).
- For a community to keep new graduates and for innovation business to relocate or open satellite offices locally they need to know what Bloomington offers.

Solutions from the Readings

- In *The Geography of Genius*, Eric Weiner takes the long, historical view of how successful cities have evolved. He concludes that these cities had common attributes: creativity; cultivating a culture of risk taking; creative breakthroughs from interdisciplinary connections; geniuses flourishing in ambiguity and divergent thinking.
- Rainforest Scorecard considers the contemporary context and concludes that Silicon Valley is not so much a place but a state of mind where diversity, connectivity, trust, collaboration, experimentation and passion flourish. Driving innovation is a matter of staying focused on culture changes i.e. the human side of the equation.
- *The New Geography of Jobs*, Enrico Moretti analyzed what drives wage growth in the United States. He finds that productivity gains are the result of innovation and technological progress. Since 1978 blue collar employment has plummeted while engineers and internet jobs have more than doubled with salaries growing even faster. This reflects an underlying shift away from traditional manufacturing to the creation of knowledge, ideas and innovation. Each new innovation job creates 5 non-tradeable jobs (2 professional and 3 service) and at compensation levels higher than national averages.
Many places are great cultural centers but lack the economic diversity and growth to be viable in the long term. The problem becomes obvious when looking at the ability of the country to create human capital—while U. S. College graduation has been flat over the last 30 years, where is the workforce for these jobs?

- *Town, Inc.*, by Andrew M. Davis, concludes that great places are known for something memorable—Gilroy the Garlic Capital, Warsaw the Orthopedic Capital, Johnstown the Greek Yogurt Capital, etc. Economic development incentives are NOT economic differentiators. Cities need a plan to grow current businesses and attract new ones. Branding is one of the keys to attracting the right kind of jobs. The real powers of a claim is its ability to generate local pride and expand on existing industry clusters. Start telling your story and keep evolving it, keep it fresh.
Appendix B Entrepreneurial Ecosystems

- **Small Business Creates Jobs**: In an effort to harness the opportunities afforded by the new innovative economy, enlightened communities, regions and cities across the nation have developed an entrepreneurship ecosystem (EE). Small business creates most of the new jobs in local economies.

- **Clusters**: Michael Porter of the Harvard Business School fine-tuned ecosystems as “clusters” with a focus on innovation and new business formation. He emphasized that it is “At the intersection of clusters...insights and skills from various fields merge..sparking new business.”

- **Creative Class**: The cluster focus by Porter was almost exclusively on the companies rather than the people. By contrast, Richard Florida shifted the focus away from companies to people, and in particular those with capabilities and talent, as the most salient force driving economic development.

- **Entrepreneurial Communities**: A different focus was provided by the Edward Lowe Foundation, which suggested in its paper on “Building Entrepreneurial Communities”, that entrepreneurship and not necessarily cluster or the creative class is the key ingredient to regional economic development. Heidi Neck placed entrepreneurship as the focal point of “entrepreneurial systems’ in applying it to the success of Boulder County in Colorado in generating both entrepreneurship but also a strong economic performance. This concept was expanded to the community level by Gregg A. Lichtenstein, Thomas S. Lyons and Nailya Kutzhanova, as an alternative economic development tool for attraction, retention and expansion.

- **Entrepreneurship Ecosystem**: Katherine Dunn formalized the concept of “The Entrepreneurship Ecosystem,” (MIT Technology Review, September 1, 2005), which described all of the resources available to student, faculty and staff at MIT. William Aulet, also at MIT, refined the approach in 2008, when he described the relevant dimensions of an Entrepreneurship Ecosystem to include individuals, organizations and resources, government, demand, invention, funding, infrastructure, entrepreneurs and culture. One year later, Daniel Isenberg further defined the “domains” of the Entrepreneurship Ecosystem and started the Bason Entrepreneurship Ecosystem Project. The ecosystem concept, which originated in the natural sciences, was adapted for the business community by Harvard professor James Moore in his introduction of “business ecosystems”, which describes “an economic community supported by a foundation of interacting organizations and individuals.
We are grateful for the assistance and insights from Steve Bryant, Executive Director of Cook Center for Entrepreneurial Studies, Ivey Tech Community College Bloomington Indiana, for the ideas contained in this index. See The Bloomington – Monroe County Entrepreneurship Ecosystem Initiative, prepared by Business Resources Company November, 2013.

The roots of the EE date back to Chris Gibbons, from Littleton, Colorado, who embraced the observation that entrepreneurs drive prosperity.

Chris Gibbons proposed economic gardening as a means for connecting entrepreneurs to resources, in order to encourage the development of essential infrastructure and provide entrepreneurs with the requisite information noting the insights from David Birch (“Who Creates Jobs?” The Public Interest, 1981, 65, 3-14).

