

Compete.

*Public-Private Partnerships for
Workforce Development*

APEC Conference
Singapore
August 12, 2008

Randall Kempner



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Council on
Competitiveness

The Council on Competitiveness



- Founded in 1986 by John Young, former CEO, Hewlett Packard
- Non-profit, non-partisan
- 170+ members and affiliates
- CEOs, University Presidents, Labor Leaders
- Set public policy action agenda to drive:
 - U.S. productivity growth
 - High living standards
 - Success in global markets

“Our agenda is at the nexus of necessity and opportunity—and we all have an obligation to serve the nation.”

–Duane Ackerman, CEO, BellSouth Corporation, Former Chairman, Council on Competitiveness

Agenda



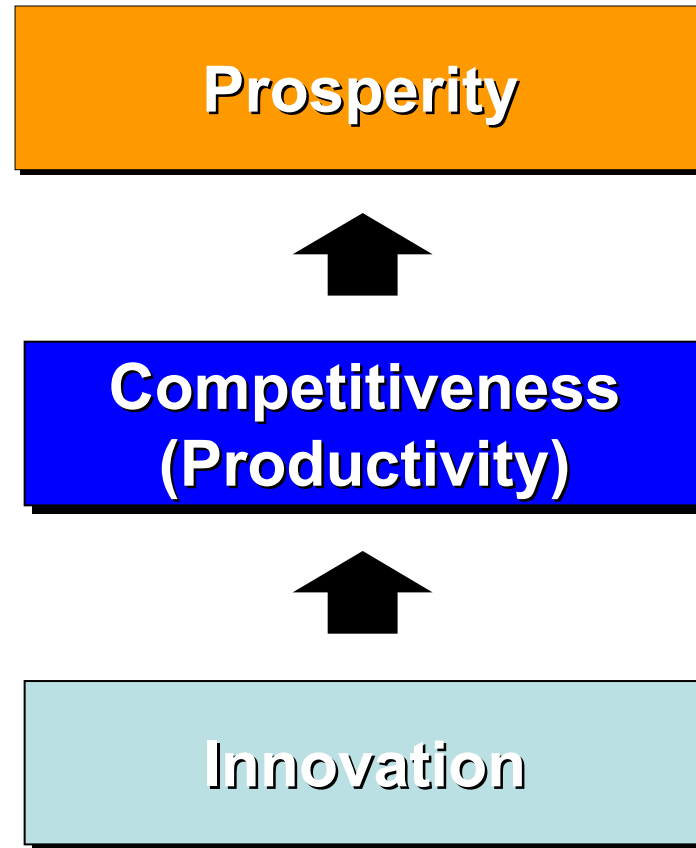
- Why does Talent Matter: The Connection Between Talent and Economic Development
- Talent Challenges
- The Importance of Public-Private Partnerships
- Cluster Development: An Integrated Approach
- Implementing Partnerships: Lessons Learned

Talent Drives Competitive Advantage

- ...To realize all of these (economic development) strategies, we must develop our people to the full. **Competitive advantage now rests in talent and information, rather than natural resources or geographic location.** We must continue to heavily invest in education, and further improve our education system. Every Singaporean must be equipped with the necessary skills and know-how for a knowledge economy.

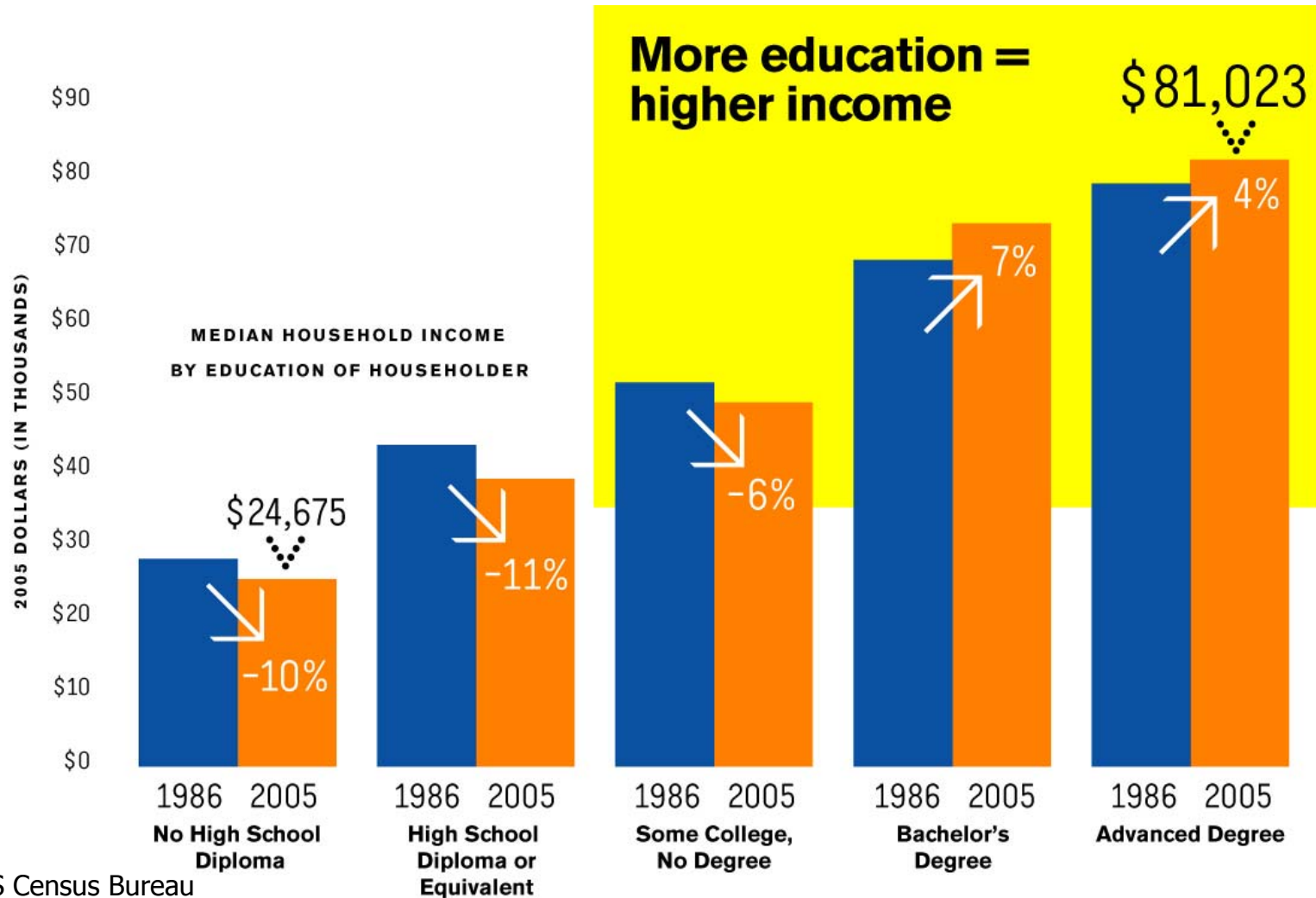
--Singapore Ministry of Trade and Industry, 2008

The (New) Path to Prosperity



- The most important sources of prosperity are **created** not inherited
- Competitiveness and prosperity are **not** zero-sum – we can all benefit

Individuals Prosper Based on Talent



Source: US Census Bureau

Factors Rated “Very Important” in Site Selection

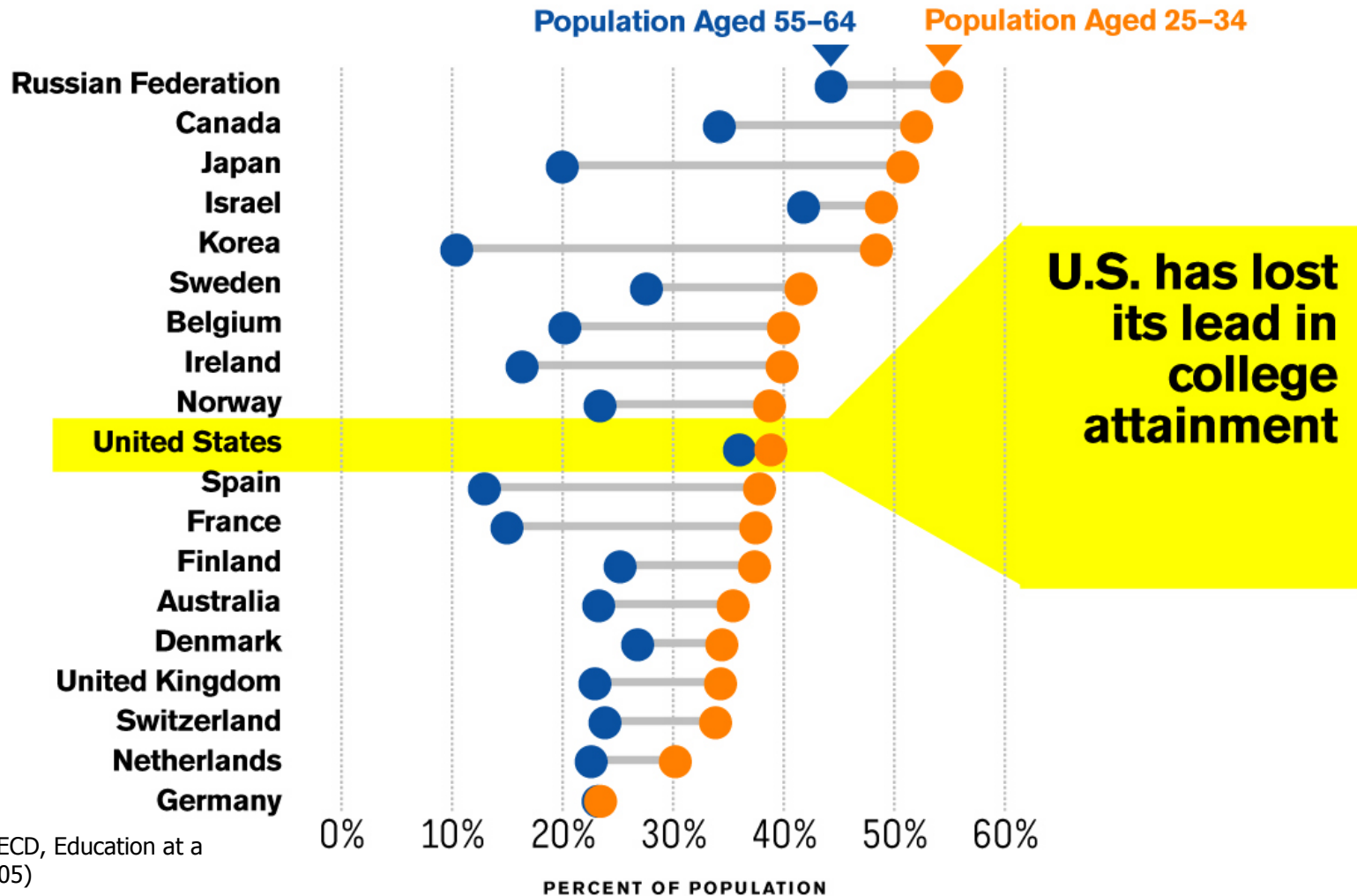
1.	Labor Costs	52.5%
2.	Low Union Profile	51.4%
3.	Availability of Skilled Labor	46.3%
4.	State and Local Incentives	45.7%
5.	Availability of High-Speed Internet	44.8%

Source: 2006 *Area Development* Corporate Survey, top 5 of over twenty factors

Regions Thrive Based on Talent

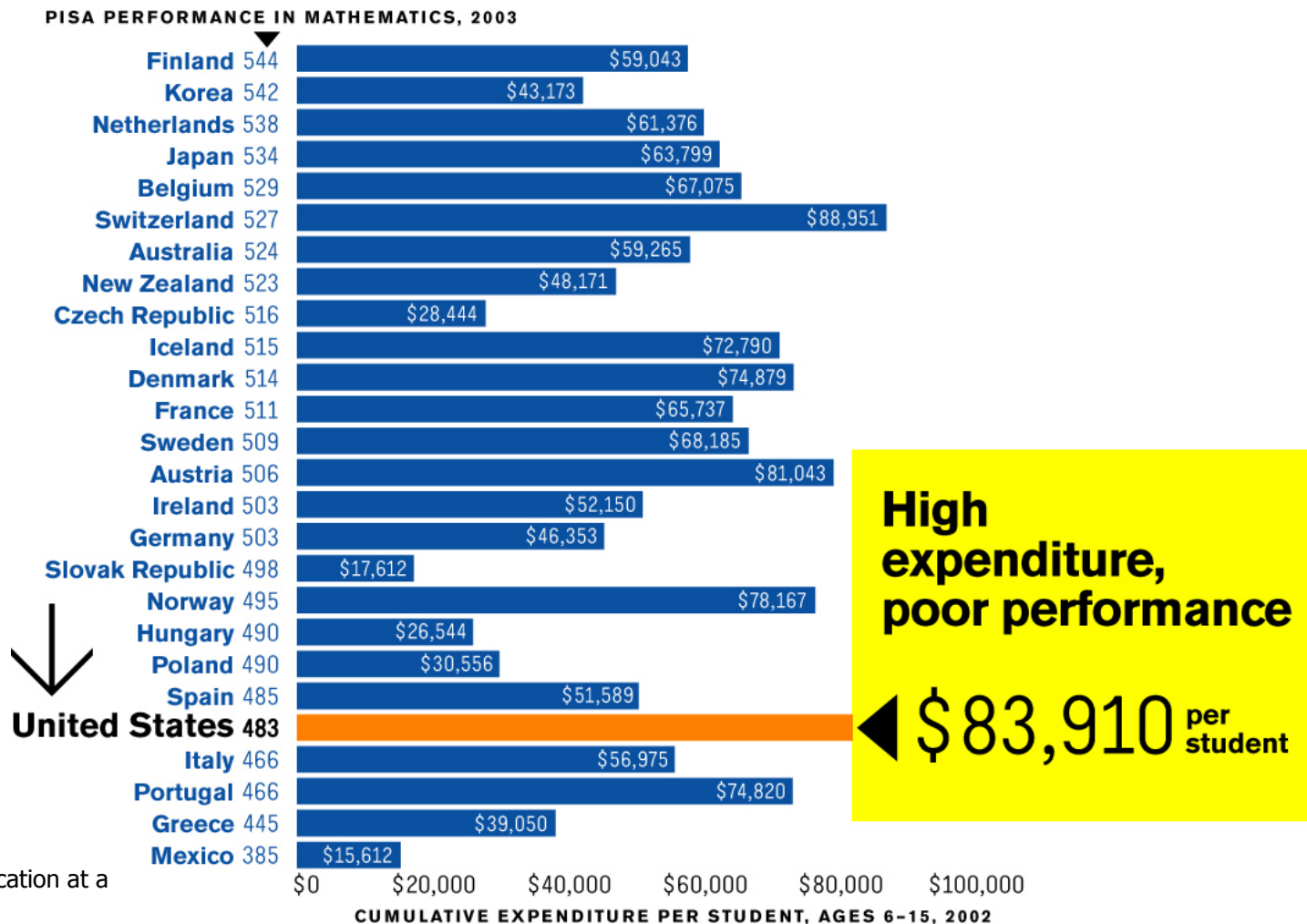
- **1% increase in share of college graduates increases the number of patents by 0.9%** (Glaeser, 2003)
 - Reflects the ability of skilled workers to produce and use technology
- **1% increase of college graduates in a region's workforce increases wages by 1.3%** (Moretti, 2004)
 - Affects the wages of high school dropouts (1.9%) more than the wages of other college graduates (0.4%)
- **2% increase in number of college graduates increases regional overall income by 1%** (Weissbourd and Berry, 2004)

Challenges: Other Countries Have Surpassed the United States in College Attainment Rates



Source: OECD, Education at a Glance (2005)

The U.S. Invests Significantly More in Education, Yet Test Scores Remain Low



Source: OECD, Education at a Glance (2005)

A Growing Talent Pool Competes for Jobs Globally

Large professional workforce in emerging markets

YOUNG PROFESSIONALS, 2003, THOUSANDS

	Engineers	Finance/ Accounting	Life sciences researchers	Analysts
China	1,589	945	543	202
United States	667	1615	852	175
India	528	2273	674	537
Russia	486	1082	108	107
Japan	317	702	180	55
Phillippines	290	423	14	16
Brazil	158	355	75	16
U.K.	150	165	100	27
Germany	128	137	31	26
Mexico	115	319	23	8
Poland	82	231	25	22
Canada	81	150	89	18
Malaysia	49	83	19	11
Hungary	27	59	2	1
Ireland	22	32	4	3
Czech Republic	15	33	2	5

← Emerging Markets

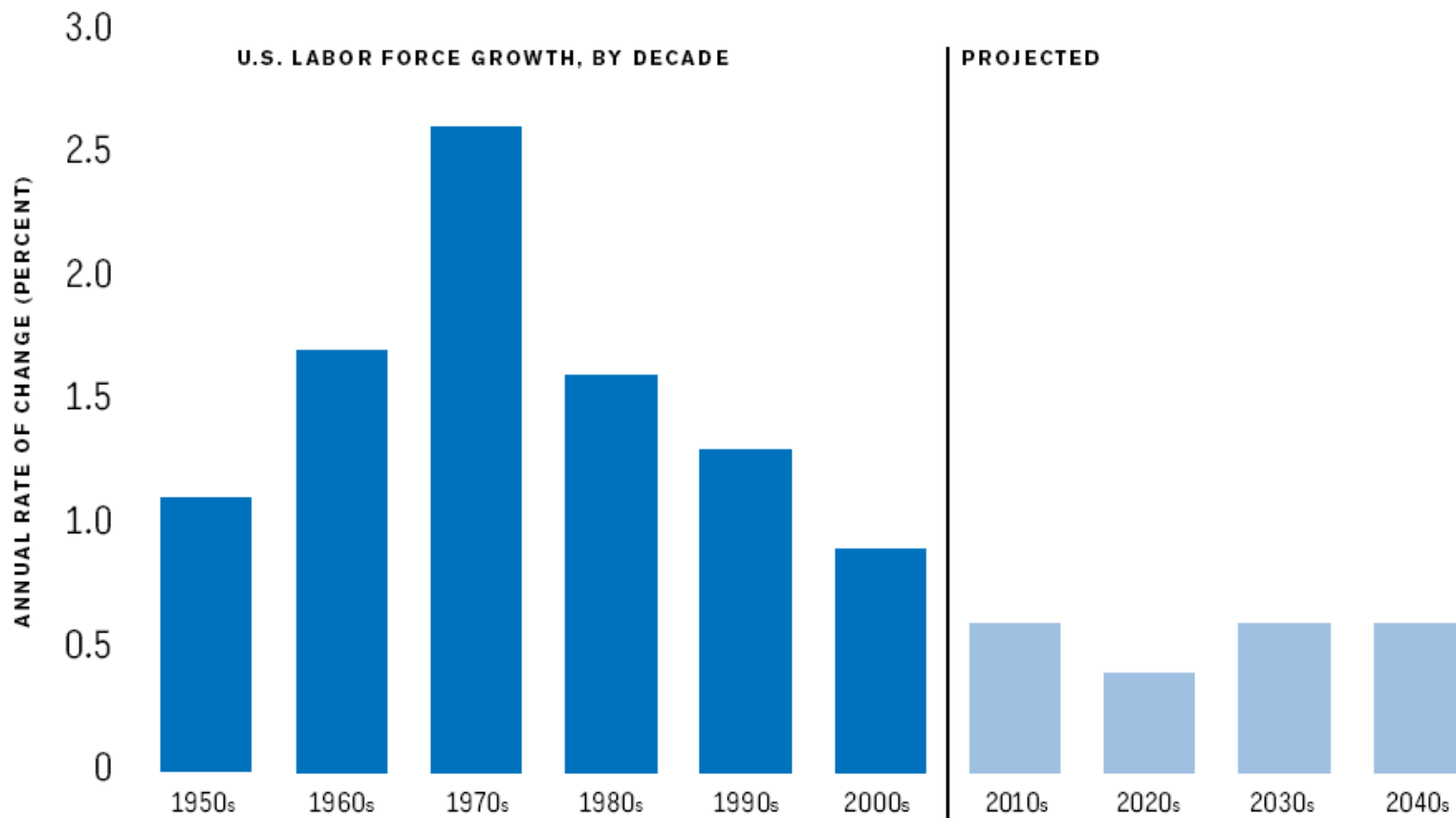
← Developed Economies

Critical Workforce Shortfalls Looming in U.S.



- **Maintenance Workers:** For every 10 workers who retire, there are only three to seven to replace them.
- **Auto Mechanics:** The Bureau of Labor Statistics forecasts that auto repair shops nationwide face an annual shortage of about 35,000 auto technicians through 2010.
- **Welders:** Estimates suggest that more than half of the industry's highly trained workforce is nearing retirement, creating a potential shortage of more than 200,000 skilled welders by 2010.
- **Electric Power Workforce:** The average age of the power workforce is nearing 50 – half of the country's 412,000 power workers are expected to retire in the next 10 years.

Slower Workforce Growth Could Put a Drag on U.S. Economic Growth



Source: *Thrive. The Skills Imperative*, Council on Competitiveness, 2008

The Response...

Regional Public-Private Partnerships

- **Required:** No single entity can respond quickly enough in a comprehensive manner to address skilled workforce development
- **Desired:** There is value in the necessary collaboration – both in preparing for future workforce challenges and in creating the relationships necessary to address other issues (infrastructure, promotion, regulatory change). Helps create sustainability.



Cluster Development: What is a Cluster?

A cluster is a geographically proximate group of interconnected companies and associated institutions in a particular field (Porter)

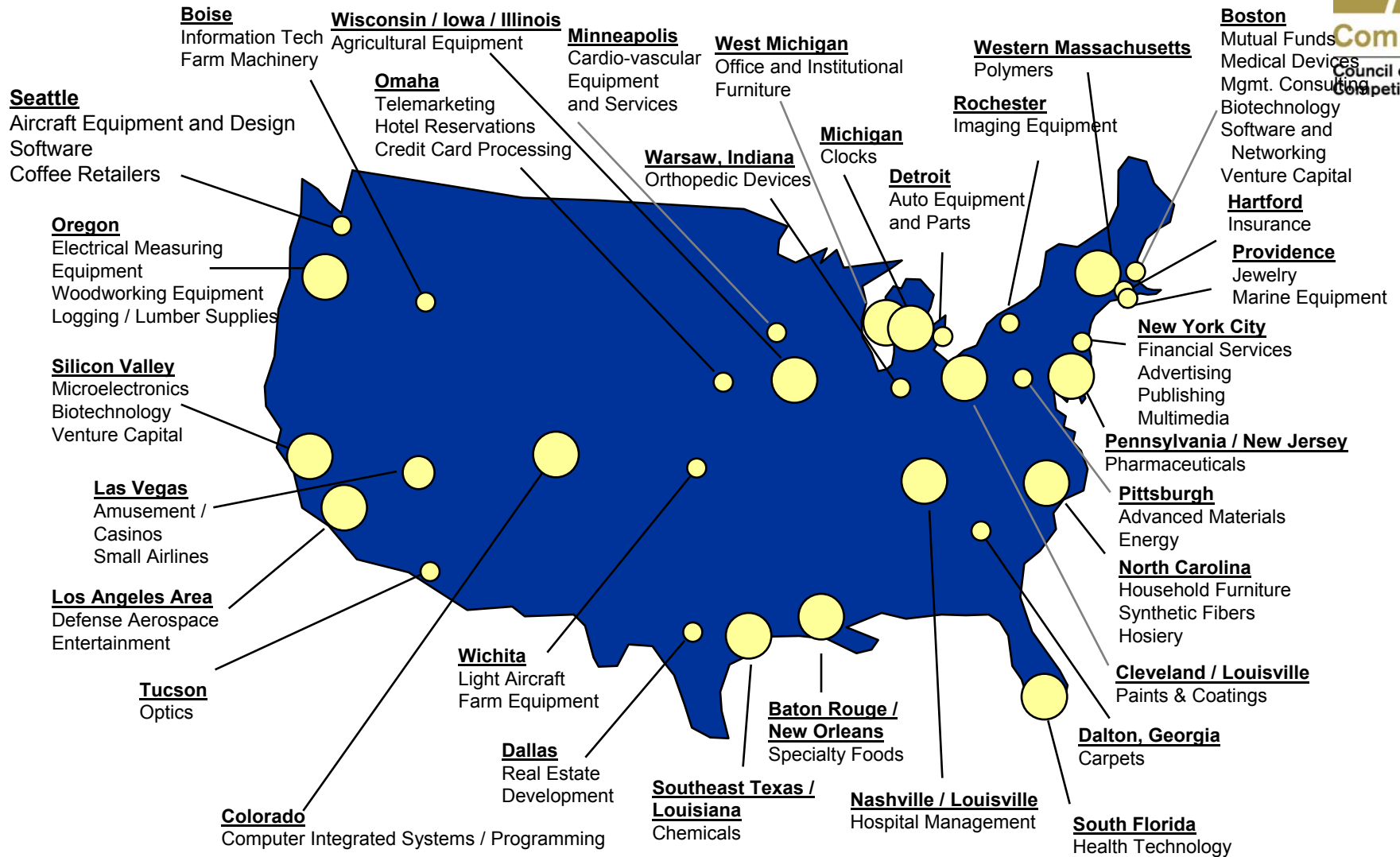
A public-private partnership to drive regional economic growth based on collaboration in a certain sector (Kempner)

Where are Clusters?

Everywhere...



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How are cluster-based strategies different than traditional ED strategies?

Cluster

“ Hey, let’s get all the related and supporting institutions”

Supply Chain

“ Let’s get the auto part suppliers”

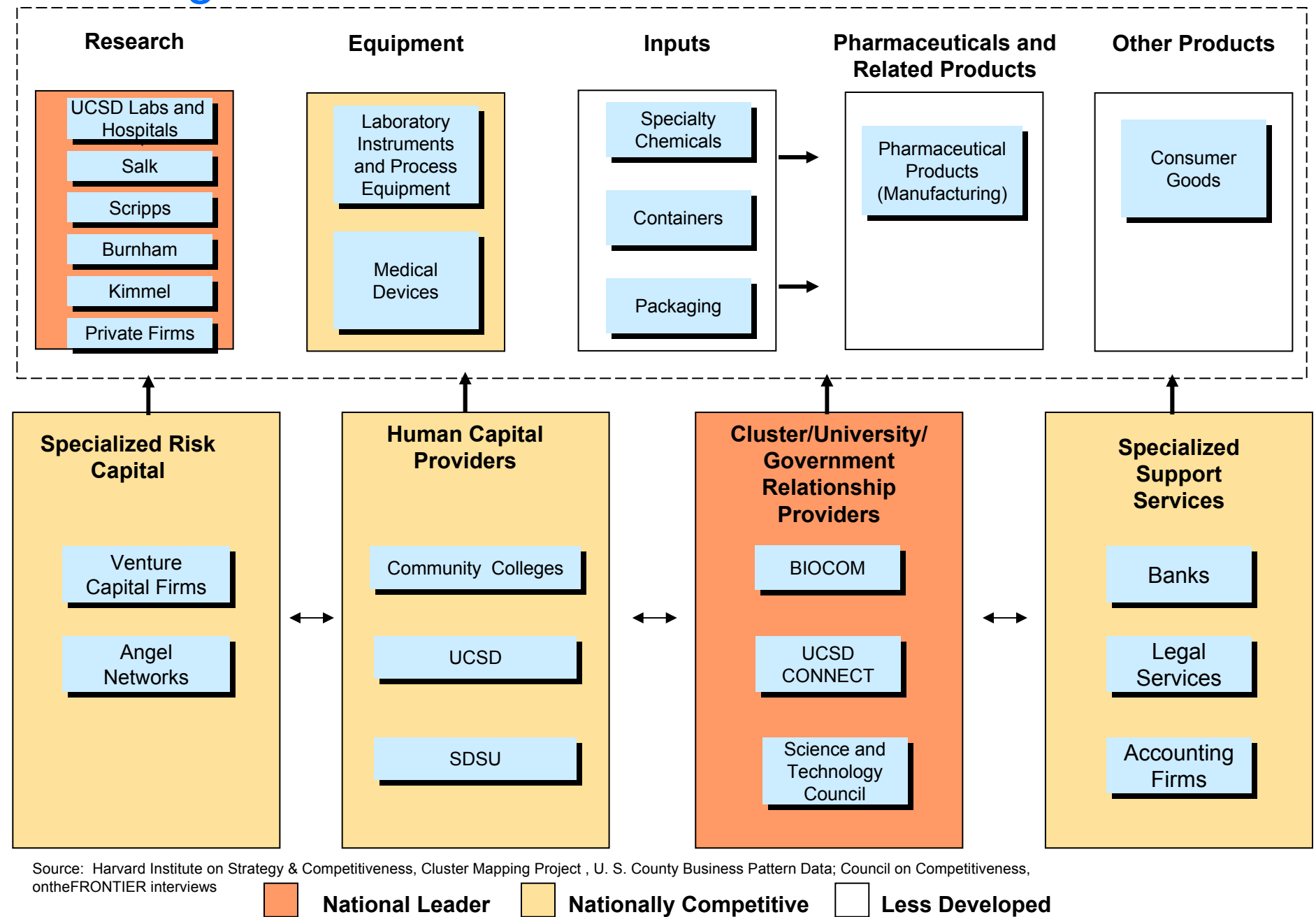
Industry

“ Let’s get a Hyundai plant, too”

Firm

“ Let’s get a Toyota plant”

San Diego Pharmaceuticals / Biotech Cluster



What's So Good About Clusters?

- **Increase Efficiency**
 - Efficient access to skilled labor, information, specialized inputs, institutions, and “public goods”
 - Easier to achieve complementarities across businesses
- **Facilitate New Business Formation**
 - Easier to identify opportunities for new businesses
 - Lowers barriers to entry (including perceived risk)
- **Spur Innovation**
 - Improved ability to perceive and respond to innovation opportunities
 - More rapid diffusion of improvements



A good way to organize firms for increased productivity

A good way to organize economic and workforce development policy efforts



THE CENTER FOR
ENOLOGY & VITICULTURE
WALLA WALLA COMMUNITY COLLEGE



- **What is it?:** An educational center with a mission: to facilitate alliances with vintners and viticulturists in Walla Walla Valley Appellation and the State of Washington, to promote the economic development of the wine industry and to provide education and training for those in this industry.
- **Who has been involved?** : Walla Walla Community College, State of Washington, Local Wineries and Vinyards, Columbia Tower Club in Seattle, Walla Walla Chamber of Commerce
- **Accomplishments:**
 - In 8 years, established a teaching commercial winery called *College Cellars* and associates degree and certification programs.
 - Over 500 students; with growing programs.
 - Significant local economic impact through attraction of non-resident students and launching of new vineyards.
 - Placed hundreds of students with local vineyards



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WALLA WALLA COMMUNITY COLLEGE



- **Keys to Current Success:**
 - Active engagement with local wine industry
 - Plays an intermediary role in supporting intra-cluster relationships
 - Strong leadership from College President and Academic Staff
 - Successful recruitment of support and students from outside of the region
- **Keys to Sustainability:**
 - Maintain high quality of courses, students, and relationships
 - Expand offerings to support linkage between local wine and hospitality industry
 - Expand relationships to producers beyond the Walla Walla area

Keys to Cluster Initiative Success



- 1. Recognize the Primacy of Human Capital**
 - Focus on building world-class Pre through 16 educational system
 - Retraining and lifelong learning programs are critical
 - Link workforce and economic development
- 2. Understand and Build on Existing Regional Strengths**
 - Build programs around *regional* partnerships and strengths
 - Matters more how the cluster competes than in what industry the cluster competes (innovation-based strategies)
- 3. Let the Private Sector Lead While the Public Sector Supports**
 - Private sector should lead the creation of cluster efforts that leverage government programs
 - Government should address barriers, encourage cross-sector collaboration, and know when to say NO
- 4. Prioritize local operations of firms that innovate in the region**
 - Promote retention, expansion, and entrepreneurship before attraction
 - If any incentives are given, make sure firms commit as well
 - (job targets, wage levels)
- 5. Seek to Win Globally**
 - Invest in sectors where firms can have a leading position globally



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Thanks and Additional Information

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The Competitiveness Institute – Cluster Info

The Competitiveness Institute (TCI) - The Greenbook - Microsoft Internet Explorer customized for Verizon Online

http://www.competitiveness.org/article/articleview/108/1/31/

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The Competitiveness Institute (TCI) - The Greenbook

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The Greenbook

The Cluster Initiative Greenbook was presented at the TCI conference in Gothenburg. Among other things, it presents the outcome of a survey of more than 250 cluster initiatives across the world.



The Greenbook

The Greenbook describes where cluster initiatives stand today, and what factors seem to influence their success or failure. The findings suggest, for example, that many factors in the business environment surrounding the cluster are important. Cluster initiatives in societies where the level of trust is high between companies or companies and government seem to be more successful than in societies where the level of trust is lower.

Also, cluster initiatives seem to be more successful in places where there are important government decision makers on the local/regional level, not just the national level.

These and many other issues are discussed further in the Greenbook.

The Greenbook is based on the Global Cluster Initiative Survey, GCIS 2003, which included almost 250 cluster initiatives worldwide.

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http://www.competitiveness.org/article/mailtofriend/108/1/31/

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What Are Some Potential Difficulties with Clusters?

•As Analytical Tools

- Many different ways to measure clusters
 - Need national benchmarks AND local measures to reflect regional conditions
 - Sometimes regions get stuck in analysis paralysis

•As Organizational Method for Economic Development Policy Initiatives

- What if you aren't in a chosen cluster?
 - Need to convince local businesses that traded clusters will benefit all
 - May lead to lack of focus on fundamentals (education, quality of life)

As Indicators of Economic Growth Areas

- Much innovation takes place at the intersection of clusters
 - You might miss it
 - Bioinformatics, Agribusiness