



MEMORANDUM

To: CMAP Committees

From: CMAP staff

Date: March 7, 2018

Re: Outline of the proposed recommendations of the ON TO 2050 economy element

This memo contains the proposed recommendations of the ON TO 2050 chapter regarding the economy. Since 2016, CMAP staff have conducted extensive research and collaborated with partners to develop ON TO 2050. The recommendations described in this memo were refined through numerous [strategy papers](#) and [snapshots](#), including the Inclusive Growth strategy paper and the Regional Economic Development, Human Capital, and Innovative Capacity strategy memos. These proposals build on GO TO 2040's focus on regional industry clusters, creating a culture of innovation, increasing research commercialization, and improving workforce services. This memorandum introduces the core concepts of ON TO 2050 related to the regional economy and seeks feedback from CMAP committees and stakeholders.

ON TO 2050 outline

ON TO 2050 will be conveyed primarily on the web. The structure assumes that readers will not approach the document linearly. The plan will be organized around five topical areas, each containing a set of recommendations that may repeat across chapters, as will some strategies within those recommendations. Each recommendation will describe its support for the three principles of the plan: Inclusive Growth, Resilience, and Prioritized Investment. The following lists the plan sections to provide context for the chapter regarding the regional economy:

- Introduction
- Principles to move the region forward
 - State of the region
 - The three principles
- Engagement
- Land Use
- Environment
- Economy: *Proposed recommendations provided below*
- Governance

- Mobility
- Indicators and Layers
- Moving Forward
- Appendices

Within each chapter, ON TO 2050 puts forth numerous policies and programs that will help to advance the region’s quality of life and economic vitality. The following outlines the structure in which these policies and programs are organized across ON TO 2050:

I. ON TO 2050

a. Chapter

i. Goal

1. Recommendation

a. Strategy

i. Action

Proposed approach to the economy

The region is endowed with enormous assets in people, industries, educational and research institutions, infrastructure, and location. Yet, during 2001-16, metropolitan Chicago grew on average by just 0.8 percent annually in overall economic productivity, and just 0.2 percent annually in employment.¹ Across numerous metrics, the region has consistently lagged behind peers and national averages, as prolonged slow growth gives way to rising global competition. Sustaining broad economic growth requires improving the region’s business environment to enable both industries and workers to compete globally and prosper locally.

The region’s goals – economic opportunity and growth – are inextricably linked. Human capital remains one of the most important determinates of regional economic vitality. Yet, economic opportunity and prosperity remain out of reach for many residents, particularly for black and Hispanic residents. New research underscores the role of economic inequality in impeding metropolitan Chicago’s ability to start and sustain stronger growth. Human capital strategies in this chapter seek to ensure that the region’s residents have the skills necessary to remain and thrive in the workforce. While these recommendations are geared towards addressing the needs of the working-age population, the importance of equitable access to high quality pre-school through secondary education cannot be overstated.

Advancing the region’s economic goals requires action now to integrate a range of private and public initiatives already underway on a regional level. In short, state and local governments,

¹ CMAP analysis of Bureau of Economic Analysis data on GDP per metropolitan area, 1-year estimates, 2001-16 and Economic Modeling Specialists International data (2018.1).

the private sector, and educators need to pursue continuous improvements to excel in a modern economy. Smart, inclusive, coordinated strategies can ensure that metropolitan Chicago remains a destination for business activity, innovation and invention, and diverse human capital. The recommendations in this chapter address the initial steps necessary to achieving broad-based economic prosperity.

*The following outlines the initial recommendations and strategies proposed for ON TO 2050 regarding the regional economy. Associated actions are also listed **under the first recommendation only**, as an example of the full detail that will be incorporated into ON TO 2050. Stakeholder feedback will inform revisions in preparation for the June release of the draft plan for public comment.*

Goal: Robust economic growth that reduces inequality

Pursue regional economic development

Summary: Global economic changes are opening new market opportunities for the region's well-educated workforce and diverse industries. Yet, global trends are also interacting with troubling regional trends in demographics and fiscal uncertainty to severely hamper economic growth for metropolitan Chicago. Economic indicators reveal prolonged slow growth, a widening gap in performance between the region and its peers, and a significant share of residents with limited economic opportunities. Fostering and sustaining robust growth requires a coalition of political, civic, and business leaders to implement strategies that will raise the region's global competitiveness and ultimately promote the region's economic vitality. Coordination at the regional level can enhance traditional economic development services like business expansion, retention, and attraction. Initial success under the Chicago Regional Growth Corporation (CRGC) will help to demonstrate the potential of collaboration among the region's political and economic development leaders to pursue truly regional economic development opportunities.

The following outlines strategies to implement this recommendation, as well as associated actions as an example of the full detail that will be incorporated into ON TO 2050.

Support the formation of a regional entity with the mandate and resources to implement a regional growth strategy

- *CMAP and partners* should continue to support CRGC's initial endeavors by assisting in convening regional stakeholders, providing research and data, and securing financial support, as appropriate.
- *County and municipal EDOs* should develop a shared vision for the regional economy, including an articulation of economic assets to support regional marketing and branding.
- *CRGC* or a similar entity should assist county and municipal officials pursue shared goals across jurisdictional boundaries that complement their competitive interests.



- *CMAP* should continue to research and articulate the benefits of intergovernmental collaboration through responsive data and analysis on the regional economy's performance.

Expand global market reach

- *CRGC or a similar entity* should facilitate ongoing analysis and strategy development for reaching global markets that builds consensus among the region's many stakeholders.
- *CRGC or a similar entity* should support the development of a comprehensive foreign trade and investment strategy for the region, including leveraging existing export relationships and positioning the region strategically for foreign direct investments, mergers, and acquisitions.
- *CRGC or a similar entity – in partnership with economic development organizations* – should coordinate efforts to market the region and convey the region's dynamic economy, infrastructure and institutional assets, diverse and skilled workforce, and other assets that offer the region a competitive advantage.
- *CRGC or a similar entity – in partnership with counties and municipalities* – should expand technical assistance and other supports for export activity by small- and medium-sized businesses, such as assistance in navigating the customs process, identifying and accessing global customers, and advance export financing.

The State of Illinois should collaborate with regional stakeholders to implement a strategy for the region's economic growth

- *The State of Illinois* should identify and plan for the distinct needs of its regional economies, allocating resources and developing policies to reflect their unique scale, opportunities, and challenges.
- *The State of Illinois* should coordinate the delivery of its direct services, programs, and financial assistance for economic development with regional organizations and stakeholders.
- *The State of Illinois* should pursue transparent, accountable practices that ensure investments for economic development produce improved results.

The State of Illinois should provide a stable fiscal environment to improve the overall business environment

Support the region's traded clusters

Summary: Specialized industry clusters embedded in metropolitan regions worldwide spur significant economic activity that forges broad economic opportunity and growth. Even in uncertain economic conditions, the competitive advantages of clusters – including deeper labor pools, better access to customers and suppliers, and knowledge spillovers – make the case for why a business must operate in the Chicago region. To build their productivity and resilience,



many regions have begun forming cluster initiatives that more deliberately bring together resources to tackle common concerns. Doing so requires a more detailed understanding of specialized clusters present in northeastern Illinois, and their unique, often-multijurisdictional needs. Economic development organizations and partners should take an active role in cluster initiatives, in part to ensure clusters organizations implement strategies to support inclusive growth and enhance the region's innovative capacity.

The following outlines strategies to implement this recommendation.

Convene industry leadership and support the coordination of cluster initiatives

Conduct additional analysis of the region's globally traded clusters

Pursue inclusive growth by prioritizing clusters that support regional economic opportunity

Analyze the planning needs and opportunities of local clusters

Analyze and plan for the human capital needs of specialized clusters

Leverage existing resources, relationships, and institutions to support industry innovators

Prioritize pathways for upward mobility

Summary: Numerous measures of economic well-being by race and ethnicity show how metropolitan Chicago falls short of ensuring equitable opportunity for all residents, and thus falls short of performing to its full potential. Over time, these disparities limit the pace and durability of the region's economic growth, as well as the effect of any efforts to lower poverty or spread opportunity. As both inequality and global economic changes play out, workers must increasingly guide their own preparation for workforce readiness -- that is, how they plan to pursue, progress through, and complete the education and training required to attain relevant skills. Yet, many students must make costly, self-directed decisions with limited information. A career pathways approach can help to coordinate public and private resources around programs that connect target populations with supportive, progressive opportunities in growing occupations. These sector-based programs provide learning and employment as a series of manageable steps leading to eventual completion of industry-recognized credentials and career advancement. This model can drive higher completion rates among participants and helps workforce partners enhance the delivery of career counseling, job-placement assistance, and support services.

The following outlines strategies to implement this recommendation.

Invest in continued development and implementation of career pathway programs

Implement a shared vision and strategy to improve, scale, and sustain a regional career pathway system

Embed career pathway programs in cluster-oriented economic development strategies

Develop mechanisms to adapt career pathway programs according to labor market demand



Enhance economic innovation

Summary: As the global economy evolves, sustainable and resilient growth increasingly depends on metropolitan Chicago's capacity to develop new ideas into higher productivity and greater competitiveness. Despite being endowed with market-leading economic assets, available data indicates the region lags behind peer regions in terms of research, commercial development, and entrepreneurial activity. Because the private sector is a key driver of innovation and commercialization, the role of the public sector is to find ways to help spur innovation by supporting institutions, relationships, and the essential components of a modern economy. In particular, innovation necessarily begins with strong investments in human capital, which will always be the source of next-generation ideas and the region's strongest competitive advantage. Policy and programs aimed at spurring innovation should focus primarily on supporting dense, dynamic economic activity in the Chicago region. CMAP and partners should emphasize objectives that draw connections among the region's industry innovators, institutions of higher education and research, and different and diverse communities.

The following outlines strategies to implement this recommendation.

Leverage institutions of higher education and research for economic development

Diversify the entrepreneurial voices engaged in problem and solution development

Reorient resources to better support innovation and entrepreneurship

Identify and communicate stronger metrics for tracking innovative performance

Goal: Responsive, strategic workforce and economic development

Conduct regional planning for human capital

Summary: Economic growth necessarily hinges on addressing common obstacles to residents' ability to enter the workforce and remain employed long-term. Metropolitan Chicago is home to a well-educated and diverse workforce of over 5 million workers, and many businesses choose to operate here in order to access their knowledge and ingenuity. Yet the region must overcome challenges in bridging the gaps between adults seeking to build a career and employers looking to enhance their workforce. Employment and demographic trends, technological advancements, demand for skills, and economic inequality are changing the demands placed on the region's workers, as well as adult education and training programs. In many ways, metropolitan Chicago has been a national leader in the implementation of recent legislative reforms to the public workforce system. The region should continue to build on related local and state efforts to improve unified workforce and educational planning, partnership development, and integrated data systems in pursuit of continuous improvement.

The following outlines strategies to implement this recommendation.



Enhance coordination between industry and the workforce development system

Enhance coordination among the region's community colleges Incorporate human capital priorities into sub-regional planning

Improve access to education and employment opportunities that promote upward economic mobility

Align local economic development planning with regional goals

Summary: ON TO 2050 encourages all of the region's communities to make efficient use of limited fiscal resources by supporting industries that connect us to the global economy.

Through their role in planning for and regulating local development, municipalities support small pieces of regional markets for retail, office, industrial, and other development types, many of which house industries that make up the region's economic base. Likewise, the economic assets that comprise community's core competitive advantage often extend across jurisdictional boundaries. These cumulative local decisions can have broad impacts on infrastructure needs, commute patterns, goods movement, and overall regional economic success. At the same time, the economic assets that comprise communities' core competitive advantage often extend across jurisdictional boundaries. Cooperation across communities on economic development and market-driven planning can improve outcomes at the local and regional scales. *Note: This recommendation will also appear in the Land Use chapter.*

The following outlines strategies to implement this recommendation.

Proactively coordinate local economic development efforts

Enhance economic development expertise of municipal staff and officials

Improve the provision of tax incentives for economic development

Summary: State and local governments offer economic development incentives, such as tax abatements and credits, to subsidize revenue-generating development or compensate for weak spots in their broader business environment. Businesses then capitalize on competition among neighboring jurisdictions while drawing on the same labor pool, supply chain, natural resources, and other assets that actually underpin their profitability. Such activity can result in public expenditures for limited economic gain. Performance-based approaches help make the best use of limited resources by drawing on a synthesis of data and stakeholder feedback. However, the State of Illinois and many local governments provide tax incentives without adequately monitoring their performance over time in achieving planning and economic goals over time. State and local governments should base decisions to extend, improve, or terminate incentives on rigorous analysis and prioritize public investments that meaningfully contribute to the region's economic competitiveness.

The following outlines strategies to implement this recommendation.



Promulgate stronger standards for the transparency and accountability of tax incentives for economic development

Align incentives with local and regional goals, anticipated outcomes, and tradeoffs

Expand data-driven approaches in the workforce and education systems

Summary: In a more competitive economy, capturing opportunities for regional economic growth requires well-informed analysis, diligent forecasting, and timely response to shifts in the labor market. Given its slowed growth, metropolitan Chicago must capitalize on the full potential and productivity of its human capital. The frontlines of this work occur in the region’s complex adult education and training systems. Yet demographic trends suggest the region faces a number of challenges in sustaining a diverse, skilled workforce. At the same time, recent research has called the transferability and economic value of many sub-baccalaureate certificates into question. In many ways, the Chicago region has been a national leader in integrating workforce and education data, and these initiatives provide a foundation for expanding data-driven approaches. Such tools are especially important given a renewed national focus on evidence that workforce investments properly serve populations who face barriers to accessing or sustaining employment. In pursuing these goals, CMAP and partners should emphasize the need for relevant and accurate data that can be reliably located, integrated, manipulated, and analyzed.

The following outlines strategies to implement this recommendation.

Develop and improve integrated workforce and education data systems

Maintain adequate data on sub-baccalaureate credential and adult basic education programs

ACTION REQUESTED: Discussion

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