



Roadmap for the Washington Region's Economic Future

Status Report to the Research Sponsors

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Agenda for Today's Roadmap Project Presentation and Discussion

- Identify and quantify the principal non-federally dependent, advanced industrial clusters serving non-local markets, having high-value added and high growth potential that are beneficiary of the region's competitive advantages; and,
- Identify and discuss the requirements for future growth of these export-based, high-growth potential, high-value added advanced industrial clusters.




The Washington Region's Advanced Industrial Clusters: 2014 Employment

<u>Cluster</u>	<u>Jobs</u>	<u>%Change¹</u>	<u>LQ</u>	<u>Wage²</u>
Advocacy Services	115,731	19.0	3.5	1.7
Info & Comm. Tech	204,489	5.5	2.7	1.4
Sci & Security Tech	112,717	10.9	1.8	1.6
Bio & Health Tech	55,396	25.1	2.0	1.6
Business & Fin. Serv.	204,952	43.8	1.0	1.6
Media & Info Services	35,745	- 20.1	1.5	1.7
Leisure & Business T.	85,919	- 1.3	1.1	1.3
All Clusters	729,030	16.8*	1.9	1.6

Sources: U.S. Bureau of Labor Statistics, JobsEQ, University of MD's Inforum
¹2003-2014 Percent Change; ²WMSA/US wage ratio; *total job change for WMSA, 9.3%;




Summary of Themes

- **This region is very diverse, it has the same ingredients as Silicon Valley plus it has NIH, it has federal spending, it has great universities, it has world-class theater and restaurants and cultural activities, it has cultural sophistication, it is near the mountains and the ocean, it is an attractive place to live, New York City is easily accessible, international connectivity is excellent, the federal government is huge and it isn't going away, this is the national capital and this can be a great generator of private and social wealth.**
- **A common theme among themes relates to the changing nature of work: flexible and multiple ways of getting work done on a daily basis, less use of traditional office space, fewer standard full-time jobs and employees working for one employer with more job changes over a career, so that "career paths" are not limited to one employer but require ongoing education and involve more complex thinking about labor force deployment going forward.**




Requirements for Future Economic Growth: Major Themes

- Talent attraction and retention;
- The region's quality-of-life;
- Transportation flexibility and adaptability;
- Access to capital;
- Entrepreneurial culture;
- Regional branding and national and global marketing;
- Competition among local jurisdictions; and,
- Public costs and disincentives.




Talent Attraction and Retention: Building on the Region's "high labor force quality" Image

- Education for working professionals as a means of attracting and retaining talent in the Washington region;
- On-going education and career path opportunities for working adults, need for better career-path management;
- Work experience for students, externships/apprenticeships tied to higher education; connecting academic education to the real world to advance students towards promising careers while achieving employers' talent needs;
- Labor force demographics point to increasing needs for effective redeployment of the growing numbers of "encore" workers; and,
- Talent is attracted and retained by competitive qualities-of-life and vibrancy that describe the residential communities.




Quality-of-Life

- Overall, region's quality-of-life is a competitive asset but differences across the region undermines competitive position;
- These regional differentials contributing to a negative image include: social inequity, housing affordability and quality, access to services and employment opportunities, public safety, health and poverty, public education and others;
- Public education (K-12) ranks high as a surrogate measure of QOL but there are significant regional differences and all systems are under fiscal pressure; declining quality will translate into a downgrade in one of the region's principal distinguishing values;
- Reinvestment in infrastructure generally and in maintaining and enhancing all public services is key to maintaining a competitive business environment (including talent pool);and,
- The region's demographic and cultural diversity is well recognized.




Transportation Flexibility and Adaptability

- Achieve more efficient connections between workforce (place of residences) and employers; must reflect all transportation options;
- Attention to transportation requirements for workday mobility for both business and personal requirements;
- Changing worker mobility demands to where work will be done in the future including decreasing use of office space, telecommuting, growing numbers of worker holding multiple jobs, inter-city connectivity, and intra-metropolitan area connectivity;
- Transit infrastructure doesn't align well with workday requirements;
- Investment in maintaining and expanding transportation capacity is viewed by investors as a critical determinant of and proxy measure for future economic vitality and potential for growth.



Access To Capital



- Availability of financing came up many times but not in a consistent way: some interviewees tossed out the idea that we need more private equity and venture capital in the region but this was not a leading issue;
- Some suggested that there was a lack of early-stage investment, others thought there was more of a problem with second-stage venture capital;
- Lack of State support for capital requirements for start-ups and early-stage businesses;
- What's missing in the region are senior level executives to build successful companies; money flows to them and they follow the money; this contributes to the lack of repeat investors; and,
- Support for tax exclusions for capital gains for startups; seeding of high return firms.



Entrepreneurial Culture



- Lack of entrepreneurial spirit and culture compared to other parts of U.S. due in part to the presence of federal government and large federal contractors; also, the loss of businesses to other regions, and reluctance of repeat investors to stay in region;
- Lack of large successful businesses in region with senior executive team remaining active as investors in the area;
- The core challenge is how to grow companies so that their talent remains in the region once the company is bought so that they start up other companies with their capital and leadership talent;
- Most companies that get to some level of success get bought by an outside corporation or merge with one and their management control is shifted externally along with its senior managers; "it saps the lifeblood out."



Branding and Marketing



- The region will always be the capital city with all of its attributes but the “other side” of the regional economy does not have a strong image as a growing national and global business center that is fertile as a place of high-value added investment;
- Need to overcome “company town” image and reputation;
- Federal government and its world view overshadows Washington as a good place to locate, grow and operate businesses having non-local markets; the business climate is lost in the federal noise;
- Poor local business reporting contributes to low sense of region’s other economy;
- There is no strong appreciation of the region’s business assets;
- Absence of strong global awareness of region’s attractive business climate; need regional approach to capture scale of economy.



Competition Among Local Jurisdictions



- Competition has been problematic to the regional economy although it possibly has provided some benefits from internal pressures to compete on fiscal bases and quality of public service;
- Local poaching has costs, it undercuts ability to market region as a totality that would result in a much more persuasive case for investment, expansion or relocation to region;
- Building a favorable climate for collaborative solutions to any regional issue is difficult due to local competition’s sharp edges;
- Competition among economic development agencies within and across state lines feeds local distrust undercutting cooperation on solutions to critical regional challenges affecting long-term economic growth; and,
- Local governments and business membership organizations both suffer from parochialism and introversion.



Public Costs and Disincentives



- Bureaucratic/redtape delays by government agencies cost businesses money; regulatory processes need to be simplified and to be made more business friendly;
- State and local government fiscal policies towards business development—relocations and expansions—do not make a big difference to high-quality, financially sound, well-established firms but may be helpful to start ups and firms with long research- or product-development cycles, e.g., bio-tax credits (in Maryland) and capital gains tax exclusion for start ups (Virginia);
- Governments need to focus on creating and maintaining a business- and investment-friendly reputation inclusive of taxes, fees and regulations; and,
- Public-sector leaders and leaders representing the business and not-for-profit communities comprising the breadth of regional interests need to seek opportunities for collaborative solutions.



Agenda for Next Presentation



- Identify gaps in state and local policies, initiatives, and investments that if filled would contribute immediately (within five years) to accelerating the achievement of the region's export-based, high-growth potential, high-value added economic growth potentials; and,
- Formulate and recommend regional economic strategies to guide state and local economic development initiatives consistent with achieving the Washington region's growth targets by 2020 and sustaining this growth trajectory going forward.



Further Discussion

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