

# Job Creation & Economic Opportunity

## Aspiration: A more prosperous and equitable future

Illinois has the talent, business base, and the motivation to create better and more opportunities for its residents. We envision Illinois can be a state that maintains its population, ensuring that all residents, particularly young people, stay in the state. In addition, Illinois has the opportunity to focus on improving the livelihood of workers and families, including improving the workforce readiness of everyone in the state. At the same time, the state can attract and retain more businesses. A focus on growing companies could mean augmenting R&D activity and small business growth. The powerful result of resolving these challenges is that Illinois can brand itself as the economic hub of the Midwest, taking a place among the leading states in the country. With the right approach, we believe Illinois should strive to return the state to above average growth in employment and wages and ensure shared prosperity, with inclusive growth among residents and across geographies.

## Illinois today: Lagging economic growth

Illinois offers many meaningful advantages as a place to live and thrive. It is the sixth largest U.S. state by population, with 12.8 million residents, and fifth by GDP, of \$800 billion.<sup>1</sup> It is also the commercial center of the Midwest, with 32 Fortune 500 companies headquartered within its borders, fourth among all states.<sup>2</sup> A wide range of industries, from agriculture and manufacturing to professional services and health care, have a robust presence in Illinois. Industry in Illinois benefits from a qualified workforce: 33 percent of residents have a bachelor's degree or higher relative to the national average of 30 percent.<sup>3</sup> New talent emerges consistently from the state's globally recognized institutions of education such as the University of Illinois, Northwestern University, and the University of Chicago, which produce cutting-edge research. Meanwhile, graduates from throughout the Midwest come to Illinois and the Chicago metro area, the third largest in the U.S.

Yet despite its advantages, Illinois' economy has been underperforming: Both GDP growth, 0.5 percent per year, and labor productivity growth, 0.4 percent per year, between 2007 and 2017 lag behind national averages in the same time frame 1.5 and 0.8 percent, respectively.<sup>4</sup> There are a number of challenges that may be driving this issue. For example, Illinois has experienced the highest levels of outbound domestic migration in the U.S., particularly among young people—the state ranked 49th in millennial population growth from 2010 to 2017 at a rate of -2.3 percent. From an employment standpoint, there is a lack of qualified candidates for available roles in middle- and high-skill occupations, e.g. health care services, computer/software, first-line supervisors of service workers, truck drivers.<sup>5</sup> In addition, young companies across the nation are some of the most important job creators.<sup>6</sup> However, Illinois lags most states across the innovation funnel, from research-and-development, R&D, funding, 35<sup>th</sup> on university R&D as

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<sup>1</sup> U.S. Census Bureau, 2017; Bureau of Economic Analysis, 2017; <https://www.census.gov/quickfacts/fact/table/il/PST045218>

<sup>2</sup> <https://www.ceo.com/miscellaneous/states-with-the-most-fortune-500-companies>

<sup>3</sup> US News Best States 2017

<sup>4</sup> Bureau of Economic Analysis; Bureau of Labor Statistics

<sup>5</sup> Bureau of Labor Statistics; Bureau of Economic Analysis; Moody's Analytics

<sup>6</sup> Bureau of Labor Statistics; Business Employment Dynamics

a percent of GDP,<sup>7</sup> to the rate of new entrepreneurs, ranked 19<sup>th</sup> for large states.<sup>8</sup> Complicating the issue, Illinois is home to high economic inequality across regions and populations. It is the U.S. state with the tenth highest economic inequality.<sup>9</sup>

## Path forward: A principled approach to support workers and businesses

It will take a concerted effort and a holistic approach to address the full scope of challenges and revitalize the state's economy. This report highlights several themes.

- **Ensure economic inclusion and equity** so that all residents, including those who are currently underserved, such as women, people of color, people with disabilities, veterans, and rural or semi-rural residents, benefit from the state's prosperity.
- **Support a skilled workforce** to take advantage of opportunities. This work could include increasing awareness and accessibility of new and existing opportunities and career paths and supporting residents and workers in finding and maintaining fairly-compensated vocations.
- **Prioritize key industry clusters** that can stimulate economic growth for the state, including both traditional industries (e.g. transportation, manufacturing) and emerging ones (e.g. life sciences, technology, industries).
- **Spur innovation and entrepreneurship** to strengthen the global competitiveness of Illinois businesses. The state can improve funding, supportive infrastructure, and technical assistance for innovators and entrepreneurs.
- **Foster an attractive business climate** that is supportive of a wide range of businesses. Considerations include ease and cost of doing business, consistent support for small businesses, and improved state branding.
- **Drive inclusive statewide economic growth** that builds on unique strengths and addresses the challenges of each region, county, and town.

### Theme 1: Ensure inclusion and equity

An important goal for the state to consider is inclusive economic growth. Illinois should focus on underrepresented groups and regions to ensure that everyone in the state can reach their potential.

This effort could include improving underserved populations' access to the state economy. For example, Illinois could expand educational and training programs for youth, rural residents, veterans, women, black and brown communities, and people with disabilities. Because immigrants start a disproportionate number of businesses, the state could also consider expanding governmental support for immigrant business activity.<sup>10</sup> In addition, all regions of the

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<sup>7</sup> National Science Foundation 2017

<sup>8</sup> Kauffman Index; Measured as rate of new entrepreneurs per month per 100,000

<sup>9</sup> As measured by the Gini coefficient, a common tool to measure economic inequality. U.S. Census Bureau; American Community Survey, 2018

<sup>10</sup> <https://hbr.org/2016/10/immigrants-play-a-disproportionate-role-in-american-entrepreneurship>

state could be prioritized and considered to reduce regional inequality, both across the state and within urban centers. Beyond facilitating access, Illinois can also directly provide opportunities to Black, Latino, and women-owned businesses. The state should increase the distribution of contracts with these businesses and improve compliance with the state's purchasing diversity programs at the same time.

As it acts on its values of economic inclusion and equity, the new administration should do more to communicate and celebrate these efforts. Public communications about this work can motivate even more minority business owners to participate and brand Illinois as a state in which everyone shares in economic prosperity.

## Theme 2: Support a skilled workforce

### Fostering greater awareness of industry-specific opportunities and career pathways.

Investing in talent is essential to building and maintaining economic opportunities in the state. The first step can be promoting greater awareness of existing opportunities and pathways across the state. These efforts could include both public and private work that educates job seekers about opportunities. Public work could include promoting statewide platforms to connect job seekers and potential jobs, such as new or existing websites that map real-time opportunities and resources.

### Ensuring that education and training are closely linked to job opportunities.

For students and workers, Illinois could encourage more tightly linking education and compatible careers. The state could formalize clear pipelines from existing and new job-readiness programs to specific jobs and careers. For example, the administration could consider establishing regional workforce training centers that are affiliated with specific career pathways, including sector-specific programming, such as ones focused on hospitality, health care, or manufacturing. In addition, the state could support workers at all stages of the vocational development process by improving the accessibility of vocational certificates and increasing the level of transparency around certification requirements for prospective workers. There could be an important focus on demystifying on-the-job expectations, encouraging creativity and innovation, and developing individuals' "soft skills," e.g., "pre-apprenticeship" training.

The state can also ease new workers' entrance into the workforce with incentives for research and implementation of workforce development initiatives, including tax credits for employers who provide internships and apprenticeships, particularly for high-need populations. Finally, the state can support new workers by easing the cost of education through financial aid, particularly for workers who stay in Illinois and work in industries underserved by the labor market.

### Supporting workers to reach their professional goals.

Throughout workers' careers, the state can help them reach their personal and professional goals. The incoming administration has highlighted the need to raise the minimum wage to \$15 per hour. Beyond this, the state could sponsor initiatives to support families, such as through paid parental and family leave and affordable early childhood learning opportunities, and increase career mobility and enable skill acquisition across the career pathway.

## Theme 3: Prioritize key industry clusters

### Supporting the evolution of Illinois's established industries.

To move Illinois toward a more prosperous future and maintain its competitive edge, the state needs to focus resources and attention on the highest-potential sectors. Illinois can support the

evolution of some of its historically important industries as they evolve. For example, the state could capitalize its central location and diverse transportation infrastructure to develop into an innovative, multimodal transportation hub. Other important sectors to consider could include industrials, advanced manufacturing, and financial services, e.g., insurance sector.

#### Continuing investment in growth industries.

At the same time, Illinois can continue to invest in growth industries. One initiative could be to create a biotechnology and life sciences district. This center could build on the diversity of biotechnology companies in the state and become a hub that would be integrated with regional life sciences organizations throughout the state. Other growth industries that could also be developed include financial and software technology.

#### Investing in all regions of the state.

Outside of technology, the state can leverage and integrate existing sectors across regions. The agricultural sector can benefit from diversifying production with tools such as agricultural technology and specialty crop production. The state can also support rural communities working to grow the clean energy industry, explore industrial hemp, and attract data center companies.

### Theme 4: Spur innovation and entrepreneurship

#### Broadening opportunities to fund innovation.

The first opportunity to encourage Illinois-based innovation and entrepreneurship could be increasing investments for research and innovation, which includes corporate, university, small business, and federal efforts. Examples could include awarding state matching grants for federal research awards, or creating a statewide Small Business Innovation Research (SBIR) program. As research insights and ideas become commercialized through start-ups, Illinois could consider creating a seed fund to co-invest in start-ups and help new businesses survive the first few years of operation.

#### Expanding and establishing physical infrastructure for research and innovation.

Illinois entrepreneurs also need infrastructure that supports research and innovation. One potential avenue may be to make use of existing and building new laboratory spaces in which to pursue early-stage research and workspaces for entrepreneurs and growth-stage companies.

#### Improving support and assistance for entrepreneurs and start-ups.

Because many entrepreneurs need to learn a wide range of skills as business owners, Illinois could better support them with training and assistance. The state could provide mentorship and technical assistance through incubators that support all entrepreneurial activities, including non-technological start-ups. Support could also include initiatives such as funding for a life sciences accelerator and grants to support training workshops. In addition, Illinois could explore ways to make it easier for young people to become entrepreneurs. An innovation work-study internship program could connect Illinois youth with young companies to match skills with labor needs.

### Theme 5: Foster an attractive business climate

#### Ensure funding and support and streamline bureaucratic processes for small businesses.

Illinois can adjust its business climate to make it more attractive for companies to invest in the state. The new administration can ensure streamlined funding and support for businesses of all sizes in the state. The state can identify opportunities and simplify the process to start, fund, and maintain a business in Illinois. Improvements include redesigning state processes to make

them more accessible—for instance, language in state publications and reference material can be rewritten to be easier to consume.

#### Enable and encourage testing of new goods and services.

Longer-term, Illinois could renew focus on creating a competitive and stable economic environment that encourages employers and entrepreneurs to invest in the state. For example, the state could create “sandboxes” for businesses.<sup>11</sup> Expanded policies will allow businesses in high-growth industries to partner with the state to test new goods and services. The state can further support these partnerships by creating a platform to encourage public discussion and input on new technologies, products, and services being tested and give regional and local leaders potentially useful insights.

#### Develop and implement state branding.

State-led initiatives could improve Illinois businesses’ prospects, but the state also needs to improve its reputation for being beneficial to businesses – both on a state-wide and region-specific level. The state should achieve this in collaboration with business, labor, and the government. To coordinate efforts, the new administration should consider building on existing efforts and streamlining efforts to work alongside corporate ambassadors to showcase the state and communicate aspirations. The state could also convene CEO and community roundtables to further common goals.

### Theme 6: Drive inclusive statewide economic growth

#### Leveraging Opportunity Zones as a tool to drive increased investment.

Economic growth for Illinois must include all regions across the state, not just the northeastern urban centers. A near-term priority may be to support the development of federally-designated Opportunity Zones in Illinois, which aim to attract resources and new investment to economically distressed communities.<sup>12</sup> The administration could identify even more opportunities to drive resources for Opportunity Zones by exploring federal and private-sector funding, including private-public partnerships.

#### Better connecting underserved communities to share ideas.

In addition to creating hubs of new investment and economic activity, the state should better connect underserved communities, to facilitate the spread of good ideas and create a way for community leaders to solve problems together. For example, the new administration could create an entity with regionally-focused offices throughout the state. Local offices can serve as full-service sources of technical assistance to entities involved with community economic development. Furthermore, the state could promote and consolidate statewide inventory databases showing existing and potential Opportunity Zones, Enterprise Zones, and other high potential zones, enabling stakeholders to see a full picture of opportunities Illinois offers and be able to fill gaps.

#### Revitalizing and maintaining economic activity in town centers.

Illinois can invest in Illinois towns’ traditional downtowns to revitalize and sustain economic activity in town centers. For example, the state can renew funding for Main Street, a nationwide program that partners with community businesses to revitalize traditional downtowns and local

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<sup>11</sup> Regulatory sandboxes allow companies to test new products and services without full state licensure or approval.

<sup>12</sup> Opportunity Zones are state-nominated economically distressed communities where certain new investments may be eligible for tax advantages.

business districts.<sup>13</sup> As it rebuilds traditional town centers and local business districts, the state can work with local and program leaders to attract and retain residents to revitalized areas.

## Conclusion: Moving into a more stable economic future

Together, we believe these are some of the most important priorities for the new administration to consider as it creates better and more numerous economic opportunities for both workers and businesses. A few near-term priorities may be:

- Creating a database of existing career pathway programs to better coordinate and identify gaps
- Performing a review of state policies on starting, funding, and maintaining a business to identify barriers and opportunities for simplification
- Reviewing existing landscape of opportunity areas, including Opportunity Zones, Enterprise Zones, and developing strategy for expansion

If Illinois leaders consistently work toward the state's economic development goals, the result will be inclusive, equitable economic prosperity.

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<sup>13</sup> <https://www2.illinois.gov/sites/MainStreet/Pages/default.aspx>