



DRAFT PLAN FOR ECONOMIC GROWTH AND JOBS

BACKGROUNDER

CONTEXT

Chicago and the region face new challenges associated with sweeping changes in the global economy. That means the Chicago region can count on no one but itself to lead a purposeful and concerted effort to assure long term economic prosperity. Against this backdrop, Mayor Rahm Emanuel tasked WBC with overseeing the creation of a *Plan for Economic Growth and Jobs*. The Plan follows these guiding principles, as set forth by Mayor Emanuel:

- The plan must articulate distinct goals.
- Its must be based on rigorous, fact-based analysis.
- It must acknowledge and foster positive changes already underway.
- It must build on Chicago's existing economic strengths.
- It must benefit all sections of society, including the entire range of the job spectrum and minority- and women- owned businesses (MBE/WBEs) and Enterprises owned by People with Disabilities (BEPDs).
- Recognizing that economic development must take a regional approach, it starts with a focus on the city but builds outward to partner with the region.

WHAT THE PLAN IS AND WHY IT'S DIFFERENT

This is a plan to accelerate the economic growth of Chicago and the region through a strategic, clearly articulated and collaborative approach built on existing strengths and the economic opportunity set, utilizing new and existing targeted initiatives.

Strong schools, including an exemplary K-12 public education system, safe streets and stable state and local municipal finances are critical to success.

This plan is not intended to diminish the need for comprehensive planning with regard to poverty, education, housing, public health, safety, environmental integrity, community development and overall quality of life.

The Plan is considerate of past studies, but it is unique in several essential ways:

- It is grounded in sophisticated economics and rigorous market analysis, it is not merely aspirational;
- It is designed as an ongoing, living process – not a one-time project – that welcomes collaboration, and its strategy and initiatives will be continually updated as the economy evolves;

- It provides an integrated framework for analysis and identifies strategies based on our unique assets that can guide the decisions and collaborations of the city's and the region's leaders, and help reduce the risk of fragmented efforts;
- It has built-in accountability, and will be maintained, refreshed, and its progress tracked over time.

STEERING COMMITTEE/WORKING TEAM

World Business Chicago Co-Chairs

- **Tony Anderson:** WBC Executive Committee Member, Ernst & Young
- **Michael Sacks:** WBC Vice Chairman, Grosvenor Capital Management, LP
- **Glenn Tilton:** WBC Executive Committee Member, JPMorgan Chase, United Continental Holdings, Inc.

Ex Officio

- **Mark Angelson:** Deputy Mayor, The City of Chicago

Steering Committee

- **MarySue Barrett:** Metropolitan Planning Council
- **Frank Beal:** Metropolis Strategies
- **Melissa Bean:** The Executives' Club of Chicago
- **Ty Fahner:** Civic Committee of the Commercial Club of Chicago
- **Terry Mazany:** Chicago Community Trust
- **Michael H. Moskow:** The Chicago Council on Global Affairs
- **Jorge Ramirez:** Chicago Federation of Labor
- **Juan Rangel:** United Neighborhood Organization
- **Bruce V. Rauner:** Chicago Convention and Tourism Bureau
- **Jerry Roper:** Chicagoland Chamber of Commerce
- **Julia Stasch:** John D. and Katherine T. MacArthur Foundation
- **Joyce Shanahan:** Industrial Council of Nearwest Chicago
- **Kevin Willer:** Chicagoland Entrepreneurial Center
- **Andrea Zopp:** Chicago Urban League

Professional Support

- The Brookings Institute Metropolitan Policy Program
- McKinsey & Company
- Metropolis Strategies
- RW Ventures

GREAT STRENGTHS AND AREAS FOR CONCERN

The Metro Area Begins the Next Decade From A Position Of Strength

- Chicago Region ranks 3rd among US metro areas in gross regional product (GRP) with a 2010 GRP of approximately \$500 billion
- If the Chicagoland area were a country, it would be the 20th largest economy in the world
- Chicago is the only city the United States projected to grow into a “megacity” by 2030, a metropolitan city of more than 10,000,000 people (New York City and LA are already megacities)
- Chicago has a diverse industrial base and no single sector comprises more than 13 % of total employment
- Chicago is leader in academia, the metro area is home to top undergraduate and graduate institutions and we have a highly educated and diverse workforce of nearly 4,000,000
- Chicago is a transportation hub- nearly 25% of all domestic freight touches Chicago; O’Hare and Midway service over 200 non-stop flights to cities all over the world

But Chicago Has Seen Slowing Growth in the Past Decade and Faces Challenges

- Chicago’s annual GRP growth is at half the US rate on average
- Chicago’s has a productivity advantage compared to US average, but the gap is closing
- Employment in Chicago is declining faster than the US average, from 2000 – 2010, the Chicago region’s employment decreased from 4.6 million to 4.2 million
- The State of Illinois is in a fiscal crisis

THE PLAN: GOALS, ANALYSIS AND STRATEGIES

SECTION ONE: Goals

The Plan begins by laying out a set of goals by which to measure success. Specifically, those goals are to accelerate growth in five key areas:

- Gross regional product (GRP)
- Employment (Jobs)
- Productivity
- Income
- Wages

SECTION TWO: Analysis

This Plan performs a rigorous, fact-based analysis of five key market levers or “lenses” that drive growth:

- Economic sectors and clusters
- Human capital
- Innovation and entrepreneurship
- Physical and virtual infrastructure
- Public and civic institutions

Economic sectors and clusters

Assets

The Chicago region’s economic base is exceptionally diverse, with no single sector comprising more than 13 percent of total employment. Approximately two-thirds of its total 2010 output

came from its largest and strongest sectors: finance and business services, wholesale and retail, manufacturing, health care, and transportation and logistics.

Challenges

Despite their size and strength, key sectors are underperforming. Manufacturing productivity -- especially among small- and mid-sized firms -- lags behind the national average. The transportation and logistics sector is seriously threatened by congestion and aging infrastructure. And while Chicago ranks third among U.S. metro areas in total export volume, it still lags peer cities in the proportion of goods exported. Our market is still too domestic.

Human capital

Assets

Chicago's workforce is highly educated and diverse. The educational levels of Chicago's 4 million workers outstrip the U.S. average, and the metro area is home to several world-class undergraduate and graduate institutions.

Challenges

The shift in Chicago's economy toward new industries creates labor shortages, especially among mid-skilled workers. Demand for high-skilled employees will increase twice as fast as demand for lower-skilled workers. Workforce development groups are starting to adjust curriculum decisions to employers' needs, but there's still uncertainty among workers and educators about what exactly those needs are.

Innovation and entrepreneurship

Assets

Chicago has gained considerable momentum in innovation in the last few years. Illinois now ranks second in the nation for its number of high-tech start-ups. Annual venture capital investments to Chicago's start-up firms in recent years have risen to more than \$1 billion for the first time since 2000.

Challenges

The city's R&D spending and ability to commercialize ideas fall short of national norms. Many of our more mature industries have lower rates of productivity than their competitors in other parts of the country, suggesting comparably low rates of innovation in the region's most historic industries, such as manufacturing.

Physical and virtual infrastructure

Assets

Chicago is a global hub for moving people, goods, and information. Flights from our airports reach 220 cities worldwide. Roughly 25 percent of all domestic rail freight originates in, terminates at or passes through Chicago. The CTA and Metra system provided more than half a billion rides in 2010. The region also possesses significant digital infrastructure assets, with fiber optic lines laid along rail lines and a strong hub status for computing networks.

Challenges

The region's traditional transportation, energy, technology and water infrastructure needs upgrading and modernizing to better connect isolated neighborhoods and unemployed workers to jobs and to meet the broader challenges of a global economy. This requires large amounts of

funding from state and federal sources. Problems in coordinating responsibilities have left too many vital projects undone.

Public and civic institutions

Assets

Chicago has a tradition of highly engaged corporate, civic, labor and community leaders who have partnered with the public sector on transformative projects. Effective public-private partnership continues in several large-scale initiatives currently under way, including the CREATE program to minimize rail freight congestion, the expansion of O'Hare airport, and ongoing efforts to reinvent the cultural and public institutions.

Challenges

The Chicago region has many jurisdictions and a large, highly fragmented system of government. Businesses must often navigate a complex bureaucracy to accomplish routine tasks such as licensing operations and obtaining building permits. Economic development activities are also highly fragmented, with more than 100 organizations involved in economic development spending and/or incentives. The Chicago region receives mixed reviews on its "tax value proposition" -- the type and quality of public goods that government provides.

SECTION THREE: Strategies / The Way Ahead

The following ten strategies will best leverage Chicago's many advantages to assure its future as a productive and prosperous global city. They were derived directly from the analysis above and build upon existing growth initiatives. These strategies are meant to inform private and public investment decisions beginning immediately and will be continually refined over time.

- *Strategy 1: Become a leading hub of advanced manufacturing.* Make a clear commitment to support and accelerate the growth of advanced manufacturing industries, a sector in which Chicago already excels.
- *Strategy 2: Increase the region's attractiveness as a center for business services and headquarters.* Attract U.S. companies considering relocation and position Chicago as the location of choice for global companies seeking to establish North American headquarters.
- *Strategy 3: Enhance our competitive position as a leading transportation and logistics hub.* Reduce congestion, improve aging infrastructure, develop logistics parks and support the firms and industries poised to capture future innovations in the sector.
- *Strategy 4: Make Chicago a premier destination for tourism and entertainment.* Develop new tourism-related products and programs, upgrade existing attractions and quality of place, and improve the convention and business travel experience. Increase investment in strategic marketing and promotions.
- *Strategy 5: Make Chicago a nationally leading exporter.* Boost Chicago's exports by connecting companies from various sectors and of varying sizes with suitable global market opportunities. Help companies improve export readiness by providing general expertise, links to resources, and mentoring.
- *Strategy 6: Develop our workforce in a demand-driven and targeted manner.* Set up a better framework for employers to articulate employment needs and for workers to find training and placement; guide trainers and educators in creating demand-driven curricula, programming, and counseling that lead workers into sustainable careers.

- *Strategy 7: Support entrepreneurship and foster innovation in mature and emerging sectors alike.* Build on recent entrepreneurial momentum by expanding networks that connect entrepreneurs with customers, venture capital and mentorship opportunities. Create stronger connections between academic research and private industry to promote business innovation.
- *Strategy 8: Invest to create next-generation infrastructure.* Identify and prioritize infrastructure investments most likely to advance the city's and region's goals. Create innovative, merit-based infrastructure-financing systems to support large-scale, transformative investments as well as maintenance and operations.
- *Strategy 9: Develop and deploy neighborhood assets to align with regional economic growth.* Create neighborhoods that foster continuous development of talent, business, and real estate assets. Connect these neighborhoods to opportunity by improving access to transportation and communication networks. Devise policies that encourage dense, mixed-use communities that allow residents to work, live, learn and shop in close proximity.
- *Strategy 10: Create an environment in which businesses can flourish.* Create a more open and accessible business climate by streamlining government processes, engaging residents and firms more directly and fostering engagement across different economic and social sectors. Create clearer accountability and transparency through tracking and publishing performance metrics. Reconcile fiscal imbalances; strive for improved tax value proposition.

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MANAGEMENT OF THE PLAN

- World Business Chicago will manage the Plan as it evolves over time
- The Steering Committee structure and the process will remain in place and continue to operate
- Each strategy will be monitored
- Specific initiatives will be developed, launched and tracked
- Strategies and initiatives are dynamic and will be added, updated and refined on an on-going basis

SEEKING COMMENT

- Mayor Emanuel announced first draft February 29
- The Mayor and the Steering Committee are seeking comment and participation from the public and various constituents
- All are invited to join in the pursuit of the Plan's goals and developing initiatives
- The Plan and related documents are posted on WBC's website, www.worldbusinesschicago.com, and the public is invited to ask questions or comment on the draft Plan by emailing (address).