Regional Innovation Clusters

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I. WHY REGIONAL INNOVATION CLUSTERS (RICS)
During past 10+ years regional economic planning has become more broadly used by communities.

• Evolving practice where a consortium of cities, counties, states, businesses, educators and community leaders come together to identify smart economic planning and growth strategies for a region

• The regionally-led consortia conduct regional assessments of local industries and generate the “pull” for work force skills, advanced education and other assets that can be leveraged for higher growth.

• Businesses are attracted to a regional strategy
  o They no longer look at just local resources;
  o They look for regional resources that can support scale and growth.

• Employees no longer work within defined city boundaries – they are mobile and sometimes virtual and cross city, county and/or across state boundaries.
Over the past several years, RIC’s have developed to:

- Identify active channels (industries/technologies) for business transactions, communications, shared specialized infrastructure, labor markets and services

- Draw on expertise of local universities/colleges, government research centers and other R&D resources

- Develop a regional economic strategy that integrates tech transfer, commercialization innovation, business growth and job creation

Economic studies suggest that clusters lead to higher paying jobs; more robust regional economies

There have been pockets of cluster development in Austin (semiconductor); Corning (optics); Seattle (BioSciences); Kansas (Aviation) – but without formal US policy

RICs are supported by National Governors Association; Metro Mayors Caucus; Council of State Governments; Association of Public and Land-grant Universities; The Brookings Institution; Center for American Progress
Selected RIC Activities

- **Denver, CO**
  - Leather and Sporting Goods
  - Oil and Gas
  - Aerospace Vehicles and Defense

- **Chicago**
  - Communications Equipment
  - Processed Food
  - Heavy Machinery

- **Boston**
  - Analytical Instruments
  - Education and Knowledge Creation

- **Pittsburgh, PA**
  - Construction Materials
  - Metal Manufacturing
  - Education and Knowledge Creation

- **San Francisco-Oakland-San Jose Bay Area**
  - Communications Equipment
  - Agricultural Products
  - Information Technology

- **Los Angeles Area**
  - Apparel
  - Building Fixtures, Equipment and Services
  - Entertainment

- **San Diego**
  - Leather and Sporting Goods
  - Power Generation
  - Education and Knowledge Creation

- **Houston**
  - Oil and Gas Products and Services
  - Chemical Products
  - Heavy Construction Services

Note: Clusters listed are the three highest ranking clusters in terms of share of national employment.
Case Study: Kansas and Aviation

- Employs 17.8% percent of all Kansas manufacturing employees and contributes 26% of manufacturing wages
- In 2006, the average annual wage for all industries in the U.S. was $40,000. The average annual wage for an employee in the KS aviation cluster in 2006 was more than $63,000
- Expected to gain 4,450 net new employees from 2004 to 2014 (when taking retirement and turnover into account this number grows to 10,000 total net new jobs)
- Largest need will be for bachelor’s degree holders
- Sedgewick County employed 89.8 percent of all aviation manufacturing employees in the state of Kansas in 2006

Source: “Kansas Aviation Manufacturing”. Center for Economic Development and Business Research, W.Frank Barton School of Business. Wichita State University, September 2008
Why is the White House Interested in Promoting RICs?

• Regions can work closely with the federal government to consciously focus on the creation of shared advantages within clusters to:
  • create jobs
  • create businesses
  • stimulate long-term economic growth.

Sallet, Paisley, Masterman, “The Geography of Innovation”. Center for American Progress. 9/2/09

• Leverage federal programs to “get more bank for the buck” and create a multiplier effect – Stronger regional economies contribute to stronger national economy

• Leverage existing federal dollars with funds from state, regional and local public and private sources

• Promote more efficient grant making; more closely align federal research dollars and opportunities to commercialize; create opportunities for new jobs, better paying jobs
Goals & Outcomes

• Encourage collaboration at the regional level – such as workforce development partnerships; co-planning between EDA, MEP, SBA and regional partners; linking supply and demand with the job cycles of the cluster

• Promote collaboration at federal and regional levels to link, leverage and align federal, state and regional resources

• More effective use of existing dollars

• Develop a replicable joint funding template that can be used

• President’s FY2011 budget has $300M+ RIC funds for EDA, SBA, DOL, and USDA.
RIC Operations

REGIONAL COLLABORATORS

STAKEHOLDERS

- EDA
- NIST
- SBA
- DOL
- ED
- NSF

Partner

- Binding written agreement
- Letters of commitment
Examples of Participating Entities

<table>
<thead>
<tr>
<th>Agency X</th>
<th>EDA Co-Applicant</th>
<th>NIST Co-Applicant</th>
<th>SBA Co-Applicant</th>
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</thead>
</table>
| • Recipients from Agency X, as relevant | • State and local governments  
• Universities  
• Regional government coalitions  
• Nonprofits working with local governments  
• Tribes | • Pre-designated MEP Centers  
MEP centers may include:  
• Nonprofit organizations  
• Universities  
• Community colleges  
• State government organizations | • Pre-designated SBDCs  
SBDCs may include:  
• Universities  
• Nonprofit organizations |

RIC Partners

<table>
<thead>
<tr>
<th>DOL-Funded RIC Partners</th>
<th>ED-Funded RIC Partners</th>
<th>All Other RIC Partners</th>
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| • Workforce Investment Boards  
• One-Stop Career Centers  
• Registered Apprenticeship Programs  
• Community-based organizations  
• Community colleges | • Community colleges and other postsecondary institutions  
• Career and technical colleges  
• Adult education centers  
• Secondary career and technical programs and schools | • Local, state, and regional government entities  
• Private sector entities  
• Nonprofit community organizations  
• Labor organizations |

Stakeholders

| • Neighborhood associations and resident community groups  
• Tenant advocacy groups  
• Community service organizations | • Local nonprofits and foundations  
• Local, regional, and state government entities  
• Community-based organizations | • Private sector (e.g., businesses, venture capitalists, business councils)  
• Labor organizations |