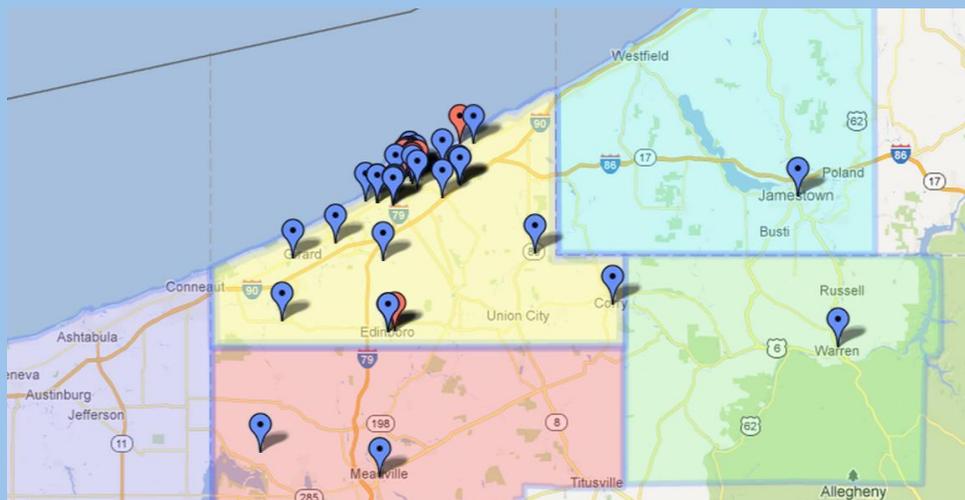




Destination Erie:
A Regional Vision



Destination Erie Regional Economic & Workforce Strategy

March 2015

Destination Erie Regional Economic & Workforce Strategy

To progress as a region, we must pick destinations beyond the horizon, plot our course, and prepare well for the journey. That is what the *Destination Erie* initiative is all about. This economic and workforce strategy is the roadmap to our preferred endpoint. We must agree where that endpoint lies. Coming to agreement as to where we are starting and where we are heading was the purpose of this process. Documenting our decisions about our destinations is the purpose of this strategy.

Through an extensive process of research and informed dialogue over the past three years, leaders of the Destination Erie region – defined as five counties located in three states: Erie (PA), Crawford (PA), Warren (PA), Chautauqua (NY), and Ashtabula (OH) – have identified a comprehensive set of compelling issues facing the region, developed a list of potential pathways to our planned destinations, and undertaken the process of identifying strategies that could serve as the vehicle for getting there. Success will transform the Destination Erie region into a more prosperous place, but we must anticipate witnessing significant change in our economy and our workforce along the way.

Vision

The Destination Erie region strives for a future in which new business start-ups are occurring every day. Existing employers are expanding their operation locally to meet national and global needs. Investors are monitoring the opportunities available to fund the next big idea that will create new wealth in the region. High speed internet access is widely available, ensuring the region can compete as a home for knowledge-intensive firms and making rural areas a viable option for telework and thriving home-based businesses. Local downtowns are abuzz with activity – from visitors and area residents alike – as a place that residents from across the region gather. Success results from a clear common idea about of the region’s future; regional leaders are implementing a common strategy that recognizes the Destination Erie region’s assets in knowledge and technology enterprises that complement the region’s strength in advanced manufacturing and logistics. The strategy focuses on growing from the seeds of innovation and creativity among the region’s people: by developing world class talent at area colleges and universities, by fostering new business start-ups with the help of local investors, and by providing a climate that encourages risk-taking among the region’s existing companies. The result: low unemployment, higher than average wages, and the most well prepared workforce among the nation’s medium-sized manufacturing communities (when considering

both industry-recognized career and technical education credentials as well as academic degrees).

To accomplish its vision, the region seeks to:

- Provide industry-driven education and training for high demand careers
- Increase entrepreneurial startups and fast growing small firms
- Convene a Lake Erie Tri-state Economic Alliance to monitor progress and continue the dialogue
- Re-set the Erie Inland Port strategy
- Implement marketing focused on attracting year-round tourism
- Promote the emerging intelligence and data mining industry
- Promote the development of a more extensive local natural gas industry supply chain

Through these efforts regional leaders hope to develop new sustainable industries that leverage the region's assets and diversify its economic base. In addition, the region will foster new economic dynamism that promotes a culture of innovation and supports existing fast-growing firms and new business formation. An important aspect of the regional strategy involves developing world class research, education, training, and business support services designed to engage the region's higher education assets solve real world business problems and attract (and helping to retain) world class talent. The success of the entire initiative relies on a culture of local leadership that supports regional action and that embraces the idea that Destination Erie can only be successful if it can design and implement truly regionally transformative economic and workforce development efforts.

The State of the Destination Erie Economy

Located in the far northwest corner of Pennsylvania, southwestern edge of New York, and northeastern corner of Ohio, the Destination Erie region is separate and distinct from its respective states. This area represents a single economic region because:

- (1) Many of the region's most populous communities have a common historical orientation toward Lake Erie as an important gateway to the world. That regional asset continues to serve as an important magnet for people and new economic activity.
- (2) These communities are highly inter-connected and economically integrated by the confluence of three major interstate highways in the area (Interstates 90, 86, and 79).
- (3) The city of Erie serves as a commercial and service hub within the region and as an important job center for many of the 5-county area's communities.

The region also shares the same economic condition. It is in the midst of a structural economic transition that has had sweeping effects on virtually every aspect of the community. Although manufacturing continues to play a key role in the local economy, it is creating fewer jobs and many of those demand much higher skills from its workforce. Emerging new sectors are currently stunted by the lack of technologically proficient talent, entrepreneurial fervor, and risk capital. Regional economic change can cause pain: to workers slow to adapt, to companies that don't seize new opportunities and don't recognize the continuous progression toward obsolescence of their product, or to institutions that do not recognize the impact of change on their constituencies.

Area companies that don't adapt will lose their competitive advantage, resulting in stagnant profits, layoffs, and young workers looking elsewhere for opportunities. Existing citizens that are ill-prepared for more technologically advanced work must settle for lower-skill, low wage jobs or longer periods of unemployment, resulting in increased poverty throughout the region. As companies of all kinds adapt, as new companies emerge, and as the talent pool improves, the Destination Erie economy must become more diversified to prosper. An economic resurgence will depend on leaders coming together to think beyond our current capabilities to build consensus around proposals that could transform the Destination Erie region's tomorrow.

Like other areas of the country, the Destination Erie region was impacted by the 2008-2009 Great Recession and the slow march to recovery. In many ways the region did not suffer from the Great Recession as severely as other areas of the nation and the recovery has been somewhat stronger than elsewhere. However, the recession helped to advance the on-going transformation of the regional economy at an even more rapid pace. This means that global forces affecting business growth and operating conditions were more keenly felt. As a result, industry is being urged to adapt new technologies faster, to identify new product or service opportunities more frequently, to become ever more productive, and to modify their business models. As a result, workers are encountering substantial changes in their jobs as many industries find that a few critical occupations, especially those related to science, technology, engineering and math (STEM), can be vitally important to their success and shortages in a few workers in these important fields can stunt growth.

About the Decision Making Process

Leaders of the greater Erie region came together to develop this economic and workforce strategy as part of a larger planning process engaging a number of working groups under the Destination Erie process. This strategy reflects the work of the Economy and Workforce Group, a leadership network, facilitated by the Center for Regional Economic Competitiveness, largely in 2012 and 2013. The process was also informed by numerous stakeholder interviews and input at numerous community forums from 2012 through 2014.

The project began as a three-phase effort. The first phase focused on an assessment of the regional economy as well as its key assets and challenges. The second phase focused on the development of a vision and strategic direction. The third and final phase emphasized implementation of planning activities, and continues to this day.

During phase 1, the working group began forming a 30-40 person economy and workforce steering committee under the leadership of its chair, Jacob Rouch of the Erie Regional Chamber and Growth Partnership, and with participation from a network of business, civic, and economic/workforce development practitioner leaders. As part of this phase, the consulting team conducted a series of focus group sessions and one-on-one interviews designed to generate input in communities across the five counties. More than 100 leaders participated in this dialogue. Complementing that work, the consultants gathered and analyzed data on the regional economy, resulting in a detailed “existing conditions and trends analysis.” That document reflected the economy as it stood in 2012 as well as identified the key assets and institutional strengths that could serve as the foundations for strategic investments. The research also revealed critical challenges. CREC highlighted those in a preliminary briefing paper for the work group and citizens to consider.

Designed to create a vision and strategy, Phase 2 began with community input on the findings from the research as well as a series of Economy and Workforce Working Group meetings to make several key decisions. During those decision sessions, the working group reviewed the identified critical challenges facing the region, prioritized those challenges to determine which should be addressed in the strategy, and brainstormed recommendations. The group completed its work by prioritizing those recommendations, selecting a few strategically important areas on which implementation planning would focus.

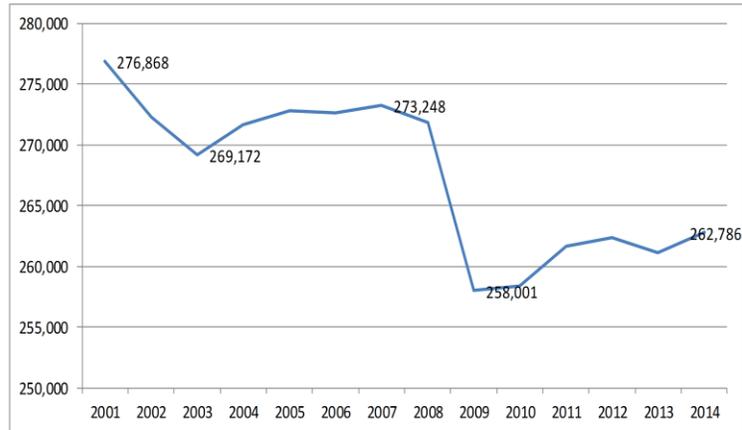
In the third and final phase, these strategic priorities were shared with the general public for review and comment. Based on the feedback received, the Economy and Workforce Working Group began to develop a more detailed plan framework and to narrow the recommended solutions to a smaller group of strategies that were viewed as most likely to be impactful. These ideas were shared with preliminary implementation plans with the general public at a community forum. Those results represent the core framework for this strategic plan and subsequent implementation planning efforts.

Overview of the Regional Economic Analysis

The Destination Erie Economy and Workforce Working Group used research undertaken by CREC to answer four key questions:

- (1) What location assets are most important in driving the regional economy?
- (2) What comprises the region’s current economic base and what will influence future performance?
- (3) How ready is the region to innovate and create new entrepreneurial opportunities?
- (4) How prepared is the region’s talent pool for available jobs today and anticipated job opportunities tomorrow?

Figure 1: Wage and Salary Employment in the Destination Erie Region



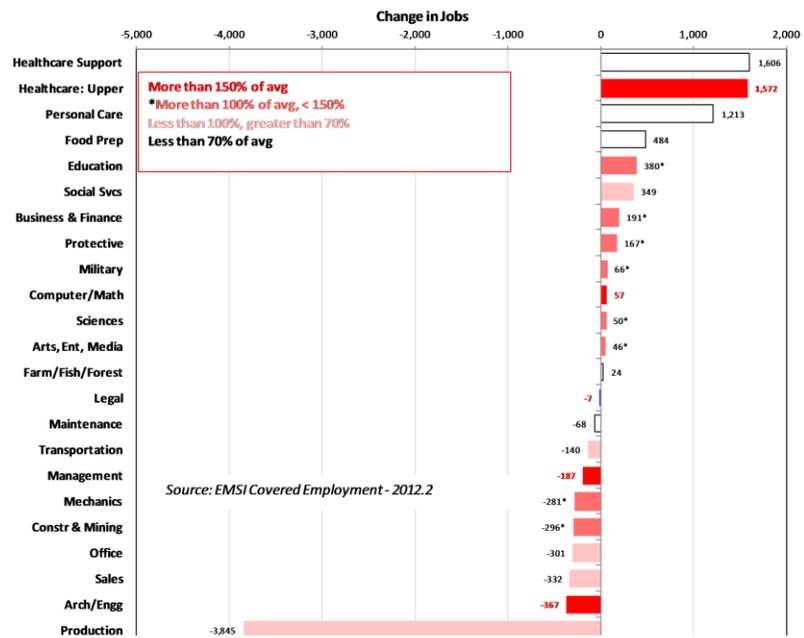
The data and analysis, detailed in a March 2013 white paper,¹ revealed several key trends about the region’s economy and workforce. Summarized here, these trends include:

- The recent recession pushed regional employment levels back to where they were in the early 1990s. By July 2014, the region still had recovered only 30 percent of the wage and salary jobs lost during the recession.
- Over the long term, employment has grown significantly more slowly in the region than the nation. The region’s unemployment rate tends to run about 0.7 percentage points above the nation’s, but it has been below the nation’s since the most recent recession.
- The region is specialized in manufacturing, health care, utilities, selected services, and retail trade. The products and services of these industries are exported outside the region, bringing new wealth into the regional economy.
- Manufacturing is the single largest industry in the region, in terms of employment, despite its long-term falling employment trendline.
- Healthcare and social assistance is the second largest industry, and it has been growing consistently and will overtake manufacturing as the largest sector in the near future.
- Employment projections are modest, with a net regional increase of only about 400 jobs between 2012 and 2014 and only an estimated 1,200 net new jobs projected annually through 2017.
- Key driver industry clusters shaping the region’s economy and its employment base include:

¹ Destination Erie White Paper, Existing Economic and Workforce Development Conditions, March 8, 2013.

- Ambulatory and Residential Health Care,
- Fabricated Metal Products,
- Industrial Machinery Manufacturing,
- Plastics and Rubber Manufacturing,
- Advanced Business Services,
- Higher Education,
- Insurance and Regional Banking,
- Visitor Accommodation,
- Motor Vehicle Parts Manufacturing,
- Local Shipping and Warehousing, and
- Chemical Products.

Figure 2: 2012-17 Occupational Growth and 2012 Wages



- Overall, the region lost about 17,700 jobs between 2001 and 2014, due in no small part to two different recessions, but in particular the 18,300 manufacturing jobs lost during that period. These losses also contributed to spin-off impacts on more than 10,000 net jobs lost in the region’s retail, construction, and government sectors, all of which rely on overall population and broader economic growth.

- Not all the regional employment news was bad. The health care and social assistance sector added nearly 9,400 jobs between 2001 and 2014. The Administrative, Support and Waste Remediation Services, Educational Services, and Accommodations and Food Services sectors combined to add 5,100 jobs.
- Declines in manufacturing were due to certain large sectors shedding jobs as illustrated by the loss of production workers in Figure 2. The most important Destination Erie manufacturing clusters—including fabricated metals, industrial machinery, plastics and rubber, motor vehicle parts, and chemical production—tend to represent a regional specialty; they offer higher than average wages, representing a significant source of income and employment for the region and for the foreseeable future. Many are starting to see positive job growth, but projected employment increases are relatively weak. Furthermore,

these industries are likely to see significant worker turnover and openings for current jobs as workers retire, change careers, or move from the region.

Targeting Economic and Workforce Development Efforts

- The data suggest that health care clusters (including ambulatory and residential health services) represent strong growth prospects for the future and provide job opportunities in a broad range of occupations. The region should continue to try to export these services to the surrounding region, while being aware of increasing competition from nearby large metro areas. Figure 2 also illustrates how those job gains have affected key healthcare occupations (including healthcare support, upper level healthcare practitioners, and personal care).
- Emerging clusters include advanced business services, local shipping and warehousing, and chemicals. Investments in these areas may help move them to the next level, increasing their presence in the region and helping to diversify the local economy.
- Higher education will play an important regional role as a growing employer as well as by helping local firms identify and address technical and business problems impeding their growth. The region has significant capacity in increasing educational attainment among 4-year degree graduates.
- The visitor accommodation cluster helps bring money in from outside the region. The cluster provides a point of entry into the workforce for many while providing business management and sales opportunities seeking to grow in their careers. It is expected to be a growth industry in the region, but the largest number of jobs are part-time and low-skill, translating into lower than average pay per worker.

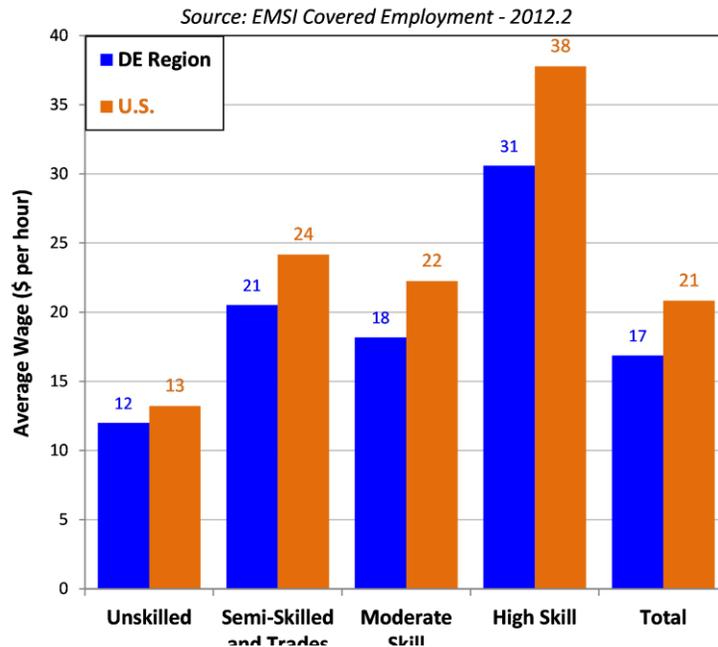
Aligning Workforce Development with Economic Priorities

- An occupational analysis of the regional labor force reveals that the region has significantly more than its share of unskilled workers and significantly less than its share of high-skill workers. As a consequence, the region has lower than average incomes. Figure 3, Wages by Skill Level, illustrates the relative wages by skill level and why it is so important to enhance the region's skill base as a way to improve the area's relative wages.
- Despite the region's anticipated slow net job growth, there are many opportunities for the region's existing and future workforce. Job churning and employment turnover represent an important source of opportunities, and these job openings should be an important focus for economic and workforce development efforts, especially those aimed at stemming brain drain and increasing in-migration to the region.
- The region has significantly less than its share of computer and math occupations, sciences, business and finance, and management jobs, but these may be the fastest growing occupations during the coming years and they offer higher pay.

- Workers in the middle-skill levels are likely to stay in the region whenever they can find appropriate employment opportunities. There is a great demand for middle skill workers (those with some technical expertise and perhaps even some post-secondary education) to replace lower skill workers leaving their jobs. This may be an important emphasis for workforce development efforts.

- Compared to the rest of the nation, a lower percentage of the workforce (residents over 25 years of age) had attained a Bachelor’s degree or higher degree in 2010 – 57% for the United States versus 45% for the region. In 2010, the highest numbers of graduates from the region’s post-secondary institutions earned degrees in Education, Health Professions and Business Management.

Figure 3: Wages by Skill Level, 2012



Emerging Growth Opportunities

- Stage II companies (those that have some track record and are set to grow) are an important source of jobs and emerging growth companies. They had a larger representation in the region than their counterparts nationally. This is a sign of the region’s capacity to grow and nurture strong businesses. A few key clusters with a large number of Stage II companies include Plastics and Rubber Manufacturing, Health Care, and Insurance and Regional Banking.
- The high technology sector experienced job growth at a pace that was faster than the national level in the past decade. However, the percentage of high technology employment in the region is not as high as it is nationally. Basic Chemical Manufacturing and Electric Power Generation, Transmission and Distribution are high tech sectors in the region that employ a large amount of workers and offer wage levels higher than the national average.
- Destination Erie’s universities received approximately \$6.3 million federal R&D funding in 2010, two thirds of which was spent on science and engineering-related fields with a focus on environmental sciences. Four institutions served as the major recipients of federal R&D

funding in the region, including the Behrend College of Pennsylvania State University at Erie, Mercyhurst College, State University of New York at Fredonia, and Allegheny College.

- Three different state policies will dictate the progress of shale gas extraction in the region. The degree to which the extraction will impact the regional economy is not known at this time, given the uncertainty in policy and the shifting evidence about the environmental consequences of hydraulic fracturing. This creates an unknown timeframe for full scale production. Current evidence suggests that jobs related to extraction will offer wages much higher than average.

Strategic Challenges

From the consultants' research on the trends and conditions, the results of extensive local interviews (especially with companies in several key industry clusters), and decades of experience in working with other regions, the consulting team summarized its findings and conclusions, identifying the most critical challenges facing the 5-county region. These challenges served as a starting point for Working Group members in determine the framework that the group would use in making policy decisions and investments to improve the Destination Erie region's future economic outlook.

Following are the 14 cross-cutting issues that emerged as potentially impactful to the future growth of the Destination Erie regional economy.

Companies and industries are not always adapting to the changing global economy

1. ***Many regional private and public leaders are complacent about the economy's status quo, reacting to changes rather than anticipating them.***

The Destination Erie regional economy greatly depends on a few major employers that can make singular decisions with major job and economic consequences on the entire region. Furthermore, discussions with key leaders revealed that two underlying concerns about this situation that should be actively addressed. First, long-term prospects for the region's largest firms are uncertain, especially in this highly competitive global economic climate. Second, few leaders know how best to promote economic diversification even though most agree that it would be in the region's best interest.

The first point – about uncertainty about sizable Erie-area companies – reflects unease about the potential for a major employer relocation. While such uncertainty is common everywhere, and the concern may be quite real for Erie, no one is stepping forward to take pro-active efforts to promote diversification or protect the community. This “business as usual” attitude reflects a general sense of complacency about the role of local leaders in influencing the regional economy.

The most visible illustration of this complacency and why it is causing unease among some local leaders is reflected in how the region responded to General Electric Transportation's decision to relocate its divisional headquarters and related activities to Chicago as well as its decision to open a facility in Fort Worth that expanded G.E.'s locomotive production capacity. G.E. Transportation ultimately announced plans to relocate more than 1,000 jobs to the company's Texas facility. Before the announcement, G.E. provided no indication that those shifts were in its plans, but increased global competition and the need to drive down costs suggested that the move was certainly possible.

The key in this case is how regional leaders prepare for the future. Of course, retaining as much local G.E. Transportation activities as possible is desirable, but a focus exclusively on G.E.'s decision misses a much larger point. The region can attribute a number of its key assets in no small part to G.E.'s presence including Penn State Behrend's engineering school, the plethora of manufacturing talent, the region's economic strength in logistics, manufacturing innovation, as well as the extensive local supply chain network in a variety of related industries. The move threatens the viability of some of these assets. At the same time, these same assets could provide the foundation for designing a next generation regional economy.

2. The region must remain vigilant in seeking out new economic opportunities in energy.

The region is well positioned to take advantage of shale gas deposits found in nearby areas. Unless government policies shift dramatically, this will undoubtedly be an important economic driver for years to come. The region also has unique opportunities to leverage the nation's movement toward the use of renewable energy, particularly wind power generation and related product manufacturing. As these opportunities present themselves, the region should consider how best to leverage them in a more comprehensive way, ranging from how to take advantage of the supply chain opportunities associated with shale gas extraction to maximize the economic impact for the region while maintaining appropriate balance with concerns about both the impact the industry might have on the region's economic diversity as well as potential environmental impacts.

3. Few firms feel comfortable in taking the risks required to become the region's next generation job creators.

Firms that survived the Great Recession did so by showing a tremendous ability to adapt and change. Today, many successful firms are still struggling to adapt to shifting industry trends and dramatically different business practices. Thriving firms today have learned to keep business costs as low as possible, provide unusual service and value for their customers, and retain their most talented workers as key assets. However, these are necessary but not sufficient for success in the future. Firms will also need to seek out customers by finding ways to enter new supply chains or find new markets to catalyze growth. Today, too many Destination Erie firms rely primarily on a handful of major customers or contracts as their primary source of revenue. Many of these firms may have sufficient cash flow for growth, but are reluctant (for very many reasons) to expand their business outside their immediate comfort

zone. This aversion to taking risk or reaching out to new markets limits not only the firm's growth potential but also Destination Erie's as well.

4. *The region lacks access to flexible capital to support firm growth.*

While banks in the Destination Erie region were less likely than those in other regions to have made loans directly in at-risk housing and related investments, the regional economy still suffered because area banks were susceptible to what happened in neighboring regions where those investments generated significant losses. Overall, the region's bankers recognize that while risk is inherent in capital markets, risk must be managed effectively. This challenge is even more apparent among those who believe equity and near-equity capital is extremely difficult to access in the Destination Erie region.

Many Destination Erie region firms of all types have found that the recession combined with inexperience in emerging new financial instruments have combined to negatively impact investor risk tolerance. Although many knowledgeable business and finance leaders feel there is enough cash currently available in the Destination Erie marketplace for firms to increase their workforce and make significant new investments, only limited capital is available for investment in growing companies. One reason cited is that the region's existing financial institutions do not have a great deal of experience with debt and equity products that could be used to help emerging firms achieve their growth potential. Finding a catalyst for encouraging the deployment of more cash into the marketplace is seen by many as the largest post-Recession challenge to the regional economy.

5. *The region's current air passenger service options are very limited.*

Two commercial airports serve the region: Erie International and Chautauqua County/Jamestown airports. By far, the largest is Erie International Airport, which had 112,484 enplanements in 2011 and 109,520 in 2013 according to the Federal Aviation Administration (FAA). The nation's 217th largest airport, it offers daily flights to Cleveland, Detroit and Philadelphia. Commercial service is also offered at the Chautauqua County/Jamestown Airport in Jamestown, NY, with flights to Cleveland. One of the nation's 50 smallest airports with commercial service, enplanements at Chautauqua County/Jamestown Airport totaled 3,679 in 2011 and 3,315 in 2013. With G.E. now having offices in Chicago and Fort Worth, this would suggest that greater demand might be present for direct flights to these destinations, where no options currently exist at either airport.

The limited service at both airports reflects limited customer demand. For instance, embarkations at both airports combined equal about 300 passengers per day (enough people to fill about six 50-seat regional jets per day). However, with airlines seeking to drive down costs, they are increasingly turning to larger commercial jets and parking those smaller regional jets. That means that current traffic in the region would fill about three 100 to 140 seat jets per day. Even today, business customers feel that airlines offer relatively few flight options to the area, and many local residents drive to Cleveland, Pittsburgh, and Buffalo to find flight options

that more closely meet their travel needs. For these reasons, the regional business community has long seen the expansion of the Erie International Airport as a major priority for both easing their own cost of business, increasing service and reliability, and attracting or retaining businesses in the region. However, for this investment in expansion to be successful, it must also come with an increased consumer demand to make continued local passenger jet service viable in a changing airline marketplace.

6. *Shipping goods outside of the larger region can often be difficult or relatively expensive.*

Certainly, the area has relatively good long-distance rail service for cargo, but those services offer only limited access to markets outside the eastern Great Lakes and can be somewhat less reliable in terms of schedule. Consequently, most manufacturing industries rely on trucks rather than rail to meet their freight needs. This situation is exacerbated by the low number of rail freight providers and by the relatively faster growth of freight costs when compared with alternative distribution options.

Some local officials have proposed enhancements to the Port of Erie to facilitate shipping of goods to international markets. At the current time, the shipping capability of the Port is limited to bulk materials. Furthermore, nearby ports, including those in Ashtabula County and Cleveland have been gearing up for expansion of service with only limited success to date. While local shipping and warehousing is well established in the region, the region has very limited experience in recent years in support of shipping beyond some bulk weight commodities, and the region is competing with nearby ports, especially in Cleveland to capture a larger share of the Great Lakes shipping traffic in an environment in which significant infrastructure investments are required at the Port of Erie and its allied ports in Conneaut and Ashtabula.

7. *Rising health care costs are creating competitive pressures for companies providing health insurance to their employees.*

Like other parts of the nation, many Destination Erie area employers offer health insurance to attract and retain skilled workers. However, they are finding that rising health care costs are becoming one of the largest costs a company can incur, representing as much as 10 percent of company expenses. Furthermore, healthcare costs to businesses have continued to rise rapidly, due to several factors including an aging workforce generating more demand and the implementation of new healthcare technologies (such as electronic health records), the deployment of new management systems, and the promulgation of new health care regulations. This is leading companies to explore alternatives to help drive costs down.

To compete for the best workers, companies must have access to a strong healthcare insurance system. Consequently, companies are seeking creative solutions and are demanding increased efficiency from health care providers. Firms in the healthcare and insurance sectors are now preparing for a transitional period as federal healthcare reform and private industry changes

take full effect, such as the move toward tiered networks. Many are concerned that this is a national problem in which local leaders can have very limited influence (if any at all).

The Destination Erie region is expected to be particularly impacted by Federal healthcare reform because the region relies so heavily on the medical sector as a major economic driver. In particular, changes in healthcare are expected to significantly increase the volume of customers for the healthcare industry as regional residents who are currently uninsured will be mandated to purchase health insurance. The challenge of meeting new demand will be a particularly large burden to healthcare providers during the transitional period following the implementation of federal regulations.

The region's workforce must adapt to new workplace challenges.

8. Many companies are not finding the skills they seek among current jobseekers.

During interviews with Destination Erie area companies, the most frequently mentioned workforce challenge was the gap between what companies say they are looking for from new talent and what they were finding in the labor market. Essentially, the concern was that the worker skills were not adequate to the jobs available. With limited technical education, existing workers are more likely to be unskilled or semiskilled while employers are increasingly searching for workers with technical skills and a postsecondary educational background. Part of the challenge is that companies traditionally hired lower skilled workers for occupations that typically did not require formal education or training beyond high school. Any training required was received on the job. However, employers are increasingly filling vacancies created by retiring or departing workers with higher skill technical and technician workers, but those individuals are not readily available. Examining the region's mix of worker occupations reveals significantly more unskilled workers and fewer high-skill workers when compared with the nation as a whole.

Additionally, many employers noted that the available workforce often lacks fundamental "soft skills" necessary to perform their jobs effectively and productively. Examples of these types of skills include "job readiness" and a capacity for critical thought. In certain industries, employers feel obliged to hire workers who are not ready to perform and then conduct in-house training to remediate their skill deficiencies. Although widely viewed as effective because it is customized to meet a company's needs, on-the-job training is often difficult to access, resource intensive, and expensive.

9. Small companies are concerned about the capacity of existing institutions to offer technical training.

Some industries require workers whose skills are changing rapidly. For many of those firms, local educational institutions are not adapting fast enough. Graduates from these institutions frequently do not have critical skills required for highly technical occupations tied to industrial manufacturing (e.g, welders, machinists, engineers), healthcare, and customer support services.

There is a disincentive in the eyes of many employers to invest in the skills of current employees because the businesses are concerned that newly trained workers may use their new skill sets to find better paying employment elsewhere before the company has even received a return on its investment in training. Small businesses are particularly concerned about this risk because they invest a significant portion of their resources in worker training and are most susceptible to worker poaching from better paying, larger firms.

While private training providers exist to train area workers in these technical areas, their capacity is limited and their offerings do not always match up with the exact type of skill needs of local employers (i.e. specific welding techniques). Apprenticeship programs are also limited within the region. Firms indicated that graduates of a handful of programs (such as the Manufacturing Technology Institute at Jamestown Community College) are among the most sought after job candidates. These candidates are typically difficult for smaller firms to attract.

10. The region's primary and secondary educational institutions do not adequately prepare young people to make informed workforce choices.

Graduating high school seniors are not fully equipped to enter the workforce because they do not have a well-rounded understanding of the current demands of the workplace and they do not fully appreciate the kinds of skills required to be successful in a wide variety of occupations. The default strategy for many students (at the urging of their parents and teachers) is to pursue a university education with little regard for how that might impact their interests or their ultimate ability to find work. Inadequate career counseling, from cradle to grave, is at the heart of this knowledge gap for students and jobseekers alike.

With limited career education and counseling, young people, new job entrants, and current jobseekers frequently have little appreciation for the array of job opportunities and the breadth of skills required that must be developed starting at the primary and secondary education levels. As a result, jobseekers may not know about the availability of high skill job opportunities in manufacturing and the trades. In addition, parents may influence their children's attitudes about where jobs are available based on their own outdated experiences and understanding of the labor market. Young people may not be fully informed about the competition for certain occupations or about what might be reasonable in terms of expectations about the experience and education required for different types of jobs or about the expected entry level wages. Limited career awareness can result in many young people following a path that is not for them – choosing university when an apprenticeship or technical education may be more suited to an individual's true career aspirations. This results in tremendous inefficiencies in the marketplace for education resulting from students who start programs they never intend to finish and wasted time for jobseekers who get education and training they never really needed.

11. Companies are facing uncertainty about the longevity of an aging, experienced workforce and difficulties in finding replacement talent.

A major workforce challenge for the Destination Erie region is the aging of the labor force. As members of the current workforce reach retirement age, firms are having difficulty finding younger talent to replace them. This is due to general declines in the region's population among young adults combined with the aging of the baby boomers. Firms note that they are having particular difficulties with replacing retiring workers who are leaving jobs that require a high level of education and professional experience, such as managerial staff and others at middle-skill levels. This aging workforce challenge is certainly daunting, but it is not so different from other regions in Pennsylvania. The relative share of older workers (55-64 years) in the Destination Erie region (17.1 percent) is actually slightly lower than the rest of Pennsylvania (17.7 percent).

The immediate impacts associated with the retiring of the baby boomer cohort have been deferred to some degree because the housing and stock market declines associated with the Great Recession significantly reduced savings and other assets for many older workers. Furthermore, more sedentary work available in many industries means that workers are better able to remain in their jobs well past traditional retirement ages. Add to this factor that older workers are particularly concerned about staying in jobs that offer healthcare until they qualify for Medicare. As a result, aging workers are choosing to stay employed longer, deferring an anticipated wave of retirements until much later in the decade or in the first part of the 2020s. While these delays may contribute to higher company healthcare costs, they also help in staving off a much greater challenge resulting when companies must replace the extensive knowledge and experience of those workers.

12. Few small companies have implemented succession plans, creating risks for retaining privately held firms.

The aging population is also creating challenges for small business owners who are nearing retirement age, especially mature, financially strong firms with significant employment and smaller, growth-oriented firms. Erie has a relatively large number of "Stage II" companies – companies with 10-99 employees. These companies are more likely than other sized firms to be in a position to grow and add employment. However, many of these firms are not growing because they are privately or family-owned without a clear ownership transition plan once the current owner(s) decides to retire.

In recent decades, family-owned businesses that traditionally would have been passed to sons or daughters are finding that members of the younger generation are often choosing to move to other regions or enter other fields. Without a plan in place, otherwise successful companies are obliged to dissolve, sell to outside parties, or become absorbed into a larger firm. The result may be devastating, of course, for the company's employees. The collective regional impact, in this case, could actually be quite severe, stunting future regional economic growth and the next generation of "major employers" that may be the region's economic drivers.

13. Businesses are facing difficulties in attracting and retaining diverse talent to available jobs in the region.

Another challenge raised by a few companies relates to the relative homogeneity of the area workforce. The prime working age population (ages 18 to 64) in 2010 was 90 percent non-Hispanic White, as compared to 64.3 percent in the rest of the nation. Increasingly, employers are recognizing the diversity of their national and international customer base and seeking workers who reflect those differences. With so few ethnic minorities, the region has very few social and cultural opportunities for people of different backgrounds, making it less attractive in efforts to recruit those workers. For most growing regions, the key to adding population is the ability to attract immigrants with a diverse background, something that Erie is not currently well positioned to do.

The region is pulled apart by larger forces as well as political realities.

14. Regional leaders must find common ground to effectively work together across the region in a manner that includes all areas.

The Destination Erie region includes five counties in three states. While workers cross the borders freely for employment, leisure and shopping, there are distinct ways in which the borders matter. Policies differ in the three states, which will influence ways in which the region can work together on issues of common importance through solutions that benefit the entire region as a whole. Furthermore, there are other population centers immediately outside the region, creating a driving force that “pulls” individuals, companies, and even regional leaders toward Buffalo, Pittsburgh, or Cleveland for services, suppliers, and markets. More rural parts of the region have expressed concern about how effectively they can be included in a regional planning process in very tangible ways.

Key to the success of this initiative will be continued participation of partners in all five counties in ways that engage urban and rural communities outside of downtown Erie to find a common rallying cry to improve economic and workforce conditions with solutions that work throughout the region. The concept that ultimately succeeds in bringing the entire region together should be aspirational, but it may well be that simple, “low-hanging” fruit (such as common recreational opportunities, regional tourism branding, or shared concerns about the region’s air transportation) could be the opportunity that helps provide the rationale for collaboration.

Setting Strategic Priorities: Ranking the Challenges

Before beginning the process of addressing solutions, the Economy and Workforce Working Group conducted a working session to review these challenges and rate which ones were most important to address in the overall strategy. For each challenge, the members were asked to

identify whether it was a priority issue, an important issue, a minor issue, or not an important issue at all. Based on that rating scale followed by additional discussion, the group organized the challenges into the following order of relative importance.

1. **Challenge # 8. Many companies are not finding the skills they seek among current jobseekers.**
 2. **Challenge # 1. Many regional private and public leaders are complacent about the economy's status quo, reacting to changes rather than anticipating them.**
 3. **Challenge # 14. Regional leaders must find common ground to effectively work together across the region in a manner that includes all areas.**
 4. **Challenge # 10. The region's primary and secondary educational institutions do not adequately prepare young people to make informed workforce choices.**
 5. **Challenge # 2. The region must remain vigilant in seeking out new economic opportunities in energy.**
 6. **Challenge # 3. Few firms feel comfortable in taking the risks required to become the region's next generation job creators.**
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7. Challenge # 13. Businesses are facing difficulties in attracting and retaining diverse talent to available jobs in the region.
 8. Challenge # 4. The region lacks access to flexible capital to support firm growth.
 9. Challenge # 7. Rising health care costs are creating competitive pressures for companies providing health insurance to their employees.
 10. Challenge # 9. Small companies are concerned about the capacity of existing institutions to offer technical training.
 11. Challenge # 11. Companies are facing uncertainty about the longevity of an aging, experienced workforce and difficulties in finding replacement talent.
 12. Challenge # 5. The region's current air passenger service options are very limited.
 13. Challenge # 6. Shipping goods outside of the larger region can often be difficult or relatively expensive.
 14. Challenge # 12. Few small companies have implemented succession plans, creating risks for retaining privately held firms.

The Working Group recognized that the final plan could not address all of these challenges and actually accomplish a major transformation. So, the group also decided at its April 2013 meeting to focus attention on strategies that offered potential solutions that would address the first six of these challenges. During that discussion, however, it became clear that leaders needed help to explore truly strategic “big” ideas for Erie’s transformation.

The leadership’s conclusion was that area leaders have become so accustomed to operating within the limits of currently available resources that it was difficult for them to think beyond the immediate next steps or to focus on anything but immediate needs that could be met without additional resources. Consequently, most of the working group’s initial ideas were tactical in nature; actions designed to address the issue of course, but so small as to have very little hope of achieving truly transformative change.

This limited thinking presents a potential trap in strategic planning process – especially one designed to look many years into the future rather than into the next operating year. By continuing to invest under the current constraints without a broad picture of how these investments might affect the future, it is likely that the region will continue down its current path – one from which many in the Destination Erie want to break away. Instead, a truly strategic plan imagines a different future and identifies a path to that future, no matter how improbable the actions that must be taken are in the current environment. We have to all recognize that seemingly small steps today can contribute to significant changes in the future, but only if we can actually imagine that future coming to fruition at some point.

Identifying Potential Solutions

The goal of this strategic plan is to look to the horizon and to envision a new more prosperous future for the Destination Erie region. After much prompting, the group was stimulated to identify strategic initiatives that offer the potential to truly redirect Destination Erie’s fortunes. This section reflects the working group’s efforts to move closer to that ideal.

As the ideas were developed, the group also considered the timetable required to implement each action. It was recognized that some can be achieved very quickly while other ideas may take much longer. Key criteria affecting which will be implemented in the shorter term versus in the longer term include assessing (1) what is already in place (or in motion), (2) regional commitments to the initiative, (3) available resources, and (4) “timing” of opportunities (that intangible force that is hard to plan for). Some ideas take longer to achieve because they are larger in scale and complexity.

No one doubts that resource limitations will influence where the region inevitably goes and how long it takes for Destination Erie to get there. The leaders of Destination Erie must commit to the initiatives and ideas that they feel will be most regionally impactful in maximizing the community’s well-being. That means that we need to know how much it will cost to get to the desired destination before deciding how much to invest. It was expected that once the process moved closer to fruition, cost estimates would be required for key strategic initiatives.

However, at the earliest stage of the process, the ideas did not include cost estimates. By dreaming big, the hope was to identify truly powerful ideas that would compel the region to

work harder, save more, and ultimately invest more in order to reach a destination that it might not otherwise have even imagined, especially one that the region is not likely to reach without a generation of planning and execution.

Potential Solutions: the Initial Laundry List of Ideas

Following are 21 “big ideas” the working group identified as potential strategic initiatives focused around primary challenges that each is trying to address.

PRIMARY CHALLENGE: *Many companies are not finding the skills they seek among current jobseekers.*

VISION: *Our entire educational system is more “intentional” in preparing people for careers by making curriculum more relevant and career counseling more plentiful.*

1. Provide industry-driven education and training for high demand careers in the 5-county region.

Many emerging education and training models, such as the Manchester Bidwell Training model as well as others, emphasize institutions that offer educational or training programs based on previously analyzed regional labor market information that identifies which jobs will be available in the foreseeable future. These programs focus on the needs of those careers that can improve the region economically² and those industry sectors creating the job opportunities by engaging prospective employers to serve as champions. Then, the institution creates industry-specific curricula. Institutions selected to participate must respond quickly, and those institutions could operate either as part of existing P-20W³ educational institutions or completely independently. Private industry leadership provides governance, but the partners also seek appropriate educational accreditation as part of a quality control process. Examples of industry-specific curricula opportunities may include those that incorporate learning from the arts/culture, health care, information technologies, engineering and production, etc.

2. Provide quality career guidance services to every student and jobseeker at the time they need advice.

The education and workforce systems are woefully understaffed with trained counselors who have the knowledge and tools available about labor market information. Furthermore, this

² Examples include: information technology; engineering; health care and medical science practitioners and scientists; mathematics, statistics, data and accounting; natural science and environmental management; and postsecondary education and knowledge creation.

³ A “P-20W” system links early childhood education through K-12, through postsecondary education, and finally through to workforce. (P – preschool; 20 – higher education through postsecondary; W – Workforce)

initiative is designed to improve the ability of not only career counselors but also teachers, mentors, parents, and caregivers by increasing their “career awareness literacy.” The entire 5-county region must enhance and fund a more robust career counseling system for the P-20W system. “Career literacy” among students and jobseekers must be elevated in order for education to become more intentional. This initiative will require investments in people, tools, career awareness marketing, and the related institutional infrastructure to support more “career-intentional” counseling and guidance.

3. Develop a Master Craftsman Manufacturing Academy.

The 5-county Destination Erie region has a competitive advantage in manufacturing. The Master Craftsman Manufacturing Academy (MCMA) would be a post-secondary education and training organization and/or institution created to leverage that expertise by sustaining and growing manufacturing as a critical component of regional economic prosperity. The MCMA would specialize in providing education and training to individuals interested in a long-term career in manufacturing and in serving companies that wish to continually enhance the skill set of their existing workforce. The MCMA would focus on developing skills and providing training as directed by a regional manufacturing advisory board comprised of manufacturing CEOs, General Managers, and/or Human Resource directors from the 5-county region.

4. Provide a global educational curriculum that prepares technologically sophisticated, entrepreneurial, and competitive workers.

Economies and workforces are increasingly connected to other parts of the world, and our workforce must have the skill sets to understand these markets and best these global competitors. Rather than “thinking” or hoping we are doing the right things to build a competitive global workforce, the region must commit to being more purposeful in providing education and training related to: languages, currency, geography, cultures/traditions/religion, global centers of excellence or specialization, and supply chain.

5. Provide rigorous academic instruction and state-of-the-art technology in revitalized school-based career and technical education.

Federal and state funding for education continues to erode while increased demands are being made on students to prepare for testing. Career and technical education (CTE) has suffered as a consequence even when CTE is offered in an academically rigorous form. To maintain support, area schools require financial help within the region from a regional endowment fund created to ensure that area CTE programs have the resources needed to maintain state-of-the-art technology, advanced equipment and the rigorous curriculum that employers demand. Such a regional fund would also help the region compete more effectively for competitive grants offered by the U.S. and Pennsylvania Departments of Education as well as national and regional foundations.

6. Strengthen efforts to create a regional educational consortium to deliver transformational life-long learning.

To be successful economically, the region needs to commit to developing a much more dynamic and progressive education and training system that can respond quickly to immediate workforce needs and transform to anticipate future talent requirements in a fast-changing economy. This objective affects the K-12 and post-secondary level and cannot be addressed by any single institution working alone. This proposed effort would create incentives for government, non-profit, and private educational institutions to come together in a collaborative environment to inventory and present the array of existing offerings, to identify collective gaps, to coordinate business and citizen education and training needs, as well as to develop alternative education and training programs to fill gaps. The consortium would focus initially on coordinating higher education offerings designed to meet the needs of fast-growing industries. In time, the effort would broaden to help coordinate market demand for education and training among area secondary schools and post-secondary institutions.

7. Attract and retain high skilled in-migrants to the region.

Every successful region has become a magnet for new talent. The Destination Erie region must commit to retaining more of the students that complete college locally and become more attractive to talented in-migrants from all parts of the world. This objective requires ensuring that regional companies seeking the highest skilled talent are connecting to higher educational institutions to offer entry-level opportunities. Furthermore, the initiative must focus on ways to make communities attractive to young professionals who often choose where they wish to live and are willing to compromise early in their career to live in a location where they feel comfortable and can eventually find opportunities. This initiative must also focus on ensuring that the region has the amenities and social networks that make it attractive and welcoming to new residents.

PRIMARY CHALLENGE: *Regional businesses are not fully prepared to compete in the global marketplace.*

VISION: *Destination Erie's prosperity depends on its ability to create a more entrepreneurial culture that adapts to changing markets, prepares for disruptive forces, manages risk-taking, and celebrates success.*

8. Foster more entrepreneurial spin-offs from university research, development, and technology transfer.

Entrepreneurial “hatch” rates in the 5-county region trail the nation. Simply put, we are not creating enough new and fast-growing second-stage companies to replace those that go out of business each year to elevate the overall “churn” (birth and deaths of companies) – which is an essential activity in vibrant economic ecosystems. Our colleges and universities represent an immense untapped potential to help elevate this activity, but they are not large enough independently to create a critical mass that would attract public or private capital. The region needs to develop strategies to help attract grant funding and equity capital to finance research

& development as well as efforts to commercialize the technologies, products, and new business models developed as a consequence. This would build on the existing work underway through the Innovation Collaborative to leverage the region's higher education and entrepreneurial assets (e.g., incubators, accelerators, and funds).

9. Develop a marketing campaign that establishes the 5-county region as a year-round tourist destination.

Water and the outdoors represent common assets available throughout the 5-county region. National and state parks are already in place to attract tourists and enhance the local quality of life. Tourism is not restricted to one or two seasons. There are many people throughout the country who seek recreation and adventure during all four seasons. These populations seek areas that have resources which the region has in abundance: water, national/state forests, trails, roadways, arts/cultural programming, small towns, craft breweries, wineries, diverse and affordable lodging, and public accessibility. An enhanced commitment to year-round adventure tourism would support existing regional events/festivals/celebrations and create new initiatives to draw individuals to the region.

10. Grow the region's small business financing activity.

Businesses are having an increasingly challenging time accessing capital from lenders and investors that have tightened collateral requirements and are turning away even the most creditworthy applicants. At the same time, businesses are less willing to take risks, settling for more modest growth that can be financed by their existing cash flow or reserves. This initiative proposes to address the capital gap by encouraging greater coordination among area revolving lenders to expand available debt and equity financing to small growing companies throughout the 5-county area. This initiative would also include an explicit focus on growing and developing an active angel investor network to provide financing for local start-ups and emerging companies while also providing capital to help existing firms add new product lines to their business or access new markets. There will also be focused activity around attracting outside private equity / venture capital to our region's promising startups and second stage businesses.

11. Support and enhance the Erie Inland Port strategy.

The Destination Erie region's logistics industry is expanding dramatically as global supply chains grow and the competition for lower cost, high-speed transportation heats up. At the heart of this shift are the region's existing highway, rail, and waterway infrastructure assets. This initiative focuses on supporting existing and future efforts designed to build and maintain the core infrastructure required to compete as a super-regional distribution center for the eastern Great Lakes by improving rail access to key industrial properties, redeveloping port areas and terminals at Conneaut and Erie to warehouse and trans-ship freight for domestic and

international markets, as well as to position the region to maximize its potential as a Great Lakes distribution center.

PRIMARY CHALLENGE: *The region relies too heavily on a few key industries.*

VISION: *The 5-County Destination Erie region will have new economic specialties that will lead its future economic and employment growth.*

12. Develop the region's strengths in Intelligence and Data Mining with direct corporate and public support.

The Destination Erie region would help to expand and enhance several key regional critical assets related to intelligence, data mining, and information security. For instance, Mercyhurst University's Institute of Intelligence Studies and Edinboro University's interdisciplinary forensics program (including forensic drawing, animation, anthropology, business, psychology, and criminal justice) could be built upon to train workers and solve related intelligence and data mining problems. These and other programs represent the foundation for a proposed regional inter-institutional Institute that would be more likely to attract Federal, state, and local dollars as well as help attract and retain businesses seeking top-notch talent as well as private sector Institute partners and investors. The strategy would emphasize attracting top notch researchers, building advanced information systems, and developing world class broadband infrastructure to support research on applied problems of importance to national companies. Entrepreneurial assistance resources would be targeted to individuals and companies seeking to grow or create companies linked to these capabilities.

13. Develop the region's strengths in Health Informatics with direct corporate and public support.

Building on its existing health care assets (including hospitals and the Lake Erie College of Osteopathic Medicine and the School of Dental Medicine), the region would create a center for excellence focused on helping companies in the region remain up-to-date on the most advanced information technology products (including hardware as well as software) as well as guiding education and training institutions in preparing the region's talent to meet the needs of these growing companies. As the U.S. health care industry undergoes a major transformation, adopting health informatics will help regional health care institutions to become more competitive, and the field could provide significant employment and entrepreneurial opportunities.

14. Develop the region's strengths in Natural Gas with direct corporate and public support.

Destination Erie has extensive connections to the shale gas industry and access to innovative research and technologies. As long as the shale gas industry remains important, the region has relatively easy access to Marcellus and Utica shale natural gas formations. Technological improvements could help to reduce the environment impacts while improving the efficiency of gas extraction from both of these formations. By creating a "center of excellence" in the

region, local engineers could contribute toward making technological improvements that would help area companies deploy the latest drilling technologies first. Thus, the “center of excellence” should also have a university extension mission as well as an applied research and development goal.

15. Develop the region’s strengths in Alternative Energy with direct corporate and public support.

Erie has a natural advantage in two alternative energy areas – biomass and wind energy. The region’s access to inland timber and farmland could also be a potentially important source for cellulosic biomass from lumber, switch grass, miscanthus, and other potential sources. Some area producers are already creating wood pellets to burn in high efficiency stoves, fireplace inserts, and central heating systems, mostly in Europe. Wind energy generation also has potential all along Lake Erie because the lakefront and nearby areas have annual average wind speeds that are significant enough at the 80-meter height level to be suitable for wind development. Combined with the area’s history in manufacturing, Destination Erie has an existing labor pool easily adapted to making wind turbine parts. This initiative would focus on bringing the latest technologies to the region to encourage greater use of biomass for off-grid energy production and use and wind energy for on-grid energy use.

16. Develop the region’s strengths in Mechatronics and Engineering with direct corporate and public support.

The Penn State-Behrend Engineering School is a top undergraduate engineering program. In addition, Edinboro also has mechatronics and applied engineering programs as well as a 2-year applied technology program and two 4-year programs that focus on mechatronics and applied engineering. The goal is to enhance and expand this capacity to ensure that the region retains its engineering talent at the baccalaureate and associate’s level. As these programs become more widely known they would serve to attract new companies to the region and help in developing entrepreneurial talent. A collaborative facility would also work closely with the region’s business assistance providers to ensure that area companies are identifying new business opportunities, developing new products, and exploring new markets.

17. Develop the region’s strengths in Digital Simulation and Gaming with direct corporate and public support.

As digital simulation and modeling have begun to impact a variety of fields from agriculture and construction to business and government – Erie has developed a small niche in the entertainment gaming industry. Edinboro University is a national leader in computer animation as well as media arts/animation, digital simulation, and gaming while the Interdisciplinary Business and Engineering Studies program provides a mechanism to bring focus to that capability at Penn State-Behrend. The region could do much more to create an environment in which gaming developers and marketers create a cluster of activity in the region. By creating a multi-institutional “center of excellence,” the region could combine strengths to attract top-

notch faculty and researchers, provide gaming incubator facilities for developers, and coordinate an effort to highlight the region's capacity to digital media companies in major markets (e.g., Los Angeles and New York).

18. Develop the region's strength in Value-added Agriculture and Agri-tourism with direct corporate and public support.

With a long tradition of agriculture focused around dairy, viticulture, specialty foods, and timber, the Destination Erie region should create an "Allegheny-Lake Erie Ag Network" to promote agri-tourism and the region's value-added agricultural products and services. The network would promote entrepreneurship in ag-related products and tourism as well as collaborate to increase market opportunities and sales for the Network's member companies. Activities under this initiative would include entrepreneurial and training activities. For example, the Network could sponsor the creation of local incubation facilities to test new agricultural products or food product recipes; coordinate local food producers with larger food purchasers (such as the region's higher educational institutions); or help area wineries, nature tourism companies, and agri-tourism enterprises to work together to provide events and attractions that would draw potential consumers. In addition, the Network would tap expertise at area higher educational institutions to support participating companies.

19. Develop the region's strength in Fresh Water Resources and Aquaponics with direct corporate and public support.

The Destination Erie region is in the heart of the world's largest freshwater lake system (the Great Lakes) that provides an abundant supply of fresh water. Tapping this unique asset, the Destination Erie region should both leverage AND protect that asset. Leveraging the assets would involve developing and enhancing the region's capabilities to protect its watershed while also developing new traditions. The region should pursue closer ties with the Pennsylvania Center for Water Resources Research (currently located in University Park). The Water Resources Research Center has most recently focused on the impact of Marcellus shale production on groundwater quality and the environmental impacts of various pollutants on native fish. Erie should explore collaborating with that research center (which receives funding from the U.S. Geological Survey and the Commonwealth of Pennsylvania) to help regional companies identify (or improve) commercially viable products generated from area waterways or commercialize new products to protect area watersheds from potential contamination. By developing this capacity, it would also make the region more attractive to companies involved in water purification processes or production.⁴

PRIMARY CHALLENGE: *Regional leaders do not have a shared understanding of their common interests.*

⁴ See Water Economy Network, Pittsburgh

VISION: *The 5-County Destination Erie region must function as a region in order to compete in a global economy for investment (from the private and public sector) by understanding mutual interests, acknowledging common threats, and identifying collaborative opportunities.*

20. Establish and sustain the Lake Erie Tri-state Economic Alliance as a mechanism for leadership and on-going civic dialogue.

To develop and implement these regional economic initiatives, coordinated regional leadership and continuous dialogue is imperative. The proposed Economic Alliance represents a network of regional leaders that come together to change internal perceptions about the region's economic potential and monitor the progress of the plan. The Alliance would serve as a coordinating group of local civic and nonprofit organizations, responsible for providing a convenient neutral place for developing potential new regional leaders, providing professional and civic development opportunities for those potential new leaders, and engaging young and established leaders in the most critical priorities. At an annual summit, the Alliance would explore national and global trends facing regions (environment, inclusiveness, collaboration, new technologies, entrepreneurship, transportation, housing, etc.), monitor progress through relevant metrics, and explore new priorities.

21. Continuously update the Destination Erie agenda with current regional economic research.

There is not enough objective, professional analysis available about what makes the Destination Erie region truly competitive. This initiative focuses on developing the capacity to sustain ongoing analysis that could be used in guiding regional investments in workforce and economic development. The research conducted with this new capacity would help refine the regional policy agenda. Like a profitable business, a successful region must routinely assess its products, systems, people and performance. Destination Erie must do the same to compete and succeed.

Selecting and Implementing the 7 Most Important Strategic Priorities

Starting from these 21 priorities, the Economy and Workforce Working Group conducted a working session to identify up to seven priority initiatives for action. During this discussion, the group analyzed each of the 21 priorities, applying four key “factors”: (1) anticipated impact; (2) presence of an advocate or “champion”; (3) feasibility to implement; and (4) the contribution to a regional identity. The Working Group sorted through the priorities through several rounds of “vote and discuss” to determine which strategies had support within the Working Group, which could be described as “compelling,” and which had champions willing to convene key stakeholders.

The group used an “audience response polling” system that allowed for individuals to vote anonymously in real time. During each round of voting, one or two items would be shifted to

the “parking lot” and the focus would shift to those items that were deemed higher priority. Parking lot items remain important, but the group opted to narrow their focus on a few strategies on which everyone could work collaboratively. Once the higher priorities were addressed, then items could be shifted from the parking lot to priority status. In some cases, the group opted to re-craft multiple strategic initiatives into a single strategy that better reflected the concerns of those present. In other cases, events have shifted the focus of the strategy and that is also reflected in how the initiative is presented. At the end of the session, the group selected their seven (7) highest priorities and began the initial process of sharing those choices with the general public while also identifying potential champions.

The 7 most important strategic priorities selected were reformulated as follows:

| | |
|--|---|
| <i>(Strategic Initiative 1)</i> | Provide industry-driven education and training for high demand careers |
| <i>(Combined Initiatives 8 & 10)</i> | Increase entrepreneurial startups and fast growing small firms |
| <i>(Strategic Initiative 20)</i> | Convene a Lake Erie Tri-state Economic Alliance to monitor progress and continue the dialogue |
| <i>(Strategic Initiative 11)</i> | Re-set the regional multimodal transportation strategy |
| <i>(Strategic Initiative 9)</i> | Implement marketing focused on attracting year-round tourism |
| <i>(Strategic Initiative 12)</i> | Promote the emerging intelligence and data mining industry |
| <i>(Strategic Initiative 14)</i> | Promote the development of a more extensive local natural gas industry supply chain |

Strategic Initiative: Provide industry-driven education and training for high demand careers

Because many companies are finding the skills among current jobseekers, they are turning to the educational system for answers. Area institutions will collaborate with one another to offer a selected group of education and training programs to deliver talent for future jobs. These education/training programs would focus on the targeted industries (identified though validated labor market projections) most likely to create well-paying, skilled jobs. Secondary and post-secondary institutions would develop competency-based curricula for these pre-kindergarten-to-workforce (P-20W) programs in close collaboration with industry to meet both immediate and future skill requirements.

Local leaders will work collaboratively and in partnership with regional industry to provide education and training incorporating elements requested by industry by:

- Articulating the 15 to 20 initiatives already underway into a cohesive strategic direction

- Coordinating those efforts and providing support to those with the greatest potential to attract resources and engage regional leadership involvement

Potential challenges to the Initiative's Success:

The best and brightest students (and their parents) do not perceive career and technical education as a viable first choice in planning for careers. Yet, companies are having increased difficulties in finding suitable manufacturing and trades workers because they require highly talented and skilled individuals. The region has not been able to coalesce around a potentially impactful approach although the need is well recognized. As a result, many solutions are being offered and the limited resources being allocated have not always been successful in engaging regional leadership support. At the same time, the region's workforce board has undergone major changes at a critical time in which it most needs to show highly visible leadership.

Potential Success Measures:

- Students and parents touched by career awareness programs
- Adult learners enrolled in industry-specific education and training programs

Next Steps:

- Engage and embolden the regional workforce board to take a stronger leadership role.
- Inventory and organize the array of industry-driven education and training initiatives so that they can be articulated into a broader strategy.
- Facilitate dialogue with leading companies to articulate their skill requirements, updating these needs on an on-going basis.

Strategic Initiative: Increase entrepreneurial startups and fast growing small firms

The region relies too heavily on its traditional industries, and it needs a new source for growth that is oriented to the changing marketplace. Almost all of the net new job creation during the past generation has come from small companies, less than five years old. To make this shift, regional leaders need to recognize the importance of startup and fast growing small firms (i.e., "gazelle" firms) in creating jobs. Furthermore, the local culture and overall ecosystem of institutions to support entrepreneurs and gazelle companies must evolve. The Destination Erie region produces about a third as many high potential startups as it should and loses entrepreneurs from the startup process at a rate 60% higher than other regions. However, the region has succeeded in creating more fast-growing small "gazelle" companies than might be expected for a region of its size. Recent research by the Innovation Collaborative found that the region's entrepreneurial ecosystem is significantly underdeveloped, its startup activity is low, and it is a risk-averse culture that does not encourage entrepreneurship.

The strategies and tactics that would help transform the region's culture, develop deal flow and promote entrepreneurship include six areas of opportunity:

- Enhancing the region's entrepreneurial spirit and increase entrepreneurial deal flow through coordinated marketing, events and storytelling
- Developing a formal network of resource providers to share deal flow and referrals, and providing higher-quality service to entrepreneurs
- Providing strategic analysis and market intelligence to support the growth of potential gazelle companies
- Offering higher quality, intensive mentorship program through appropriate screening, matching and training of mentors
- Providing mentorship, expert technical assistance and funding support to high growth startups
- Collaborating with the region's colleges and universities to encourage/reward student entrepreneurship through clubs, competitions, events and internships

Potential challenges to the Initiative's Success:

The region has historically lacked single identified leaders in organizing the region's entrepreneurial ecosystem so existing service providers have "filled in" where needed. However, because resources are constrained, they tend to focus on internal metrics of success and on maintaining their basic funding sources. These have not historically been as favorable to entrepreneurial programs. Furthermore, few leaders have a full understanding of the financial requirements needed to enhance the entrepreneurial ecosystem or the companies in that network. Finally, area firms and people are risk-averse, affecting not only the firms but also the organizations that could be helping to provide much needed services and financing to potential entrepreneurs.

Potential Success Measures:

- Unemployment, size of economy
- Number of successful new firms
- Number of successful gazelles
- Total amount of new angel capital
- Total amount of new venture capital invested locally

Next Steps:

- Identify work teams to focus and take ownership of each of the six strategic priority areas, especially the two related to developing the network and fostering mentorship.

- Maintain and widely distribute the list of existing entrepreneurial development programs.
- Develop a regional entrepreneurial network and local funding sources to support the longer-term activities necessary to improve the entrepreneurial ecosystem. Use local funding as match dollars for State and Federal grant opportunities.

Strategic Initiative: Convene a Lake Erie Tri-state Economic Alliance to monitor progress and continue the dialogue

Regional leaders do not have a shared understanding of their common interests. Leaders need a venue in which to share their concerns and ideas as well as to build consensus around proposals that could have significant regional impacts. The Lake Erie Tri-State Economic Alliance represents a regional leadership network that would coordinate implementation of a comprehensive economic and workforce strategy. The Alliance would serve as a neutral convening place to prioritize challenges, help guide strategy, and development future leaders.

This initiative could help to strengthen the identity of the Destination Erie region and ensure that the regional strategies are implemented in a collaborative way by:

- Facilitating on-going relationship building among regional leaders
- Creating a forum for collaboratively seeking funds for regionally impactful projects

Potential challenges to the Initiative's Success:

The Economic Alliance relies on consensus that there is value in branding the 5-county area together as a cohesive region. The Destination Erie effort sought to engage leaders throughout the region, but counties outside Erie County participated only sporadically and only certain leaders demonstrated a true interest in providing input into the process. Furthermore, there is no sustained funding source for Destination Erie beyond the initial Federal resources, and any efforts to generate financial support for the initiative may be seen as competing with existing local activities that may have higher visibility among area leaders.

Potential Success Measures:

- Total partnerships and collaborations operating
- Implementation steps completed
- Total dollar amount of funds raised
- Improved community perception based on survey results
- Amount of new private investment in the region

Next Steps:

- Host an annual meeting with key leaders from the five county area to celebrate Destination Erie successes and examine key challenges.
- Develop a governance structure to manage the Alliance.

Strategic Initiative: Re-set the regional multimodal transportation strategy

Companies in the Destination Erie region are not competing effectively in the global market. Yet, the Destination Erie region represents a key intersection of North American land and waterway routes between manufacturing centers in the Heartland and the customer markets of the East Coast and Europe. Leveraging its strategic location, the existing water port, and rail/trucking access, this initiative focuses on building and maintaining the infrastructure required for an inter-modal facility that would allow Destination Erie to compete as a super-regional distribution center. The strategy has encountered recent setbacks, but many still believe that improving rail access to key industrial properties, redeveloping port areas and terminals for warehouses, and linking these together to allow for freight transshipment could maximize the region's potential as a distribution center.

Destination Erie will develop a key targeted industry (logistics and distribution) for job creation by:

Analyzing regional trends and developing projections for potential growth in regional freight movement

- Hosting an annual Shippers Conference each May in Erie County and facilitating the formation and growth of the Erie Shippers Association

Potential challenges to the Initiative's Success:

Leadership missteps have created significant concern about the short-term viability of any proposals related to this initiative. The resulting delays in action by the region could mean that other regions may gain a competitive advantage over the region as a port destination.

Potential Success Measures:

- Members in the regional shippers' association
- Attendees at the annual shippers' conference
- Value of freight shipped through Erie ports

Next Steps:

Pennsylvania Department of Transportation plans to conduct an independent feasibility assessment that will provide greater clarity for the potential future of the proposed Inland Port strategy.

Strategic Initiative: Implement marketing focused on attracting year-round tourism

The region's ability to compete in the global marketplace requires it to have high quality amenities and competitive industries. To address this challenge, the region's tourism industry needs to be much better-rounded. This initiative involves promoting the five-county Destination Erie region as a year-round adventure tourism destination. The campaign would support existing regional events and create new initiatives to draw individuals to the region. Leveraging existing assets (water, forests, trails, scenic byways, arts/culture, small towns, breweries, wineries, lodging, and public parks), the region will develop a tourism promotion initiative to increase travelers to the 5-county area.

Destination Erie will leverage existing tourism amenities to promote a regional year-round tourism campaign.

- Identify tourism assets that can be used in each of the four seasons
- Implement joint tactical marketing efforts to demonstrate that collaboration can have a positive impact on the region's overall tourism economy.
- Collaborate to conduct an economic analysis of tourism to provide evidence of the industry's regional importance

Potential challenges to the Initiative's Success:

Local leaders have little to no history of collaboration so finding opportunities to collaborate will be critical to creating the kind of trust among partners for success. This lack of cooperation among area jurisdictions often leads to intra-regional competition for limited existing tourism dollars rather than taking a more proactive role to expand overall tourism activity. Support for tourism has historically come from local or state leaders. The region's juxtaposition across three states makes cooperation more problematic as state resources often cannot be used outside to support multi-state collaborative activities that occurs outside their respective boundaries.

Potential Success Measures:

- Change in sales in tourist-related industries
- Change in jobs in the tourism sectors
- Change in local attitudes and perceptions about the region

Next Steps:

- Continue convening regional tourism officials to discuss potential opportunities.
- Identify a travel writer that could be shared to help tell a regional story and to assist in placing articles in targeted travel and recreation periodicals.

Strategic Initiative: Promote the emerging intelligence and data mining industry

The region currently relies too heavily on a few key industries, and it needs to develop new industries to help diversify its base. Building on existing curriculum and faculty at Mercyhurst University and Edinboro University, Destination Erie would seek support and funding for a regional inter-institutional center focused on intelligence and data mining activities. As a result, the region would be better positioned to recruit top-notch researchers working on applied information problems, develop advanced private sector information management and security expertise, and provide access to the world-class broadband infrastructure in the region required to succeed in this industry.

Destination Erie will leverage the region's existing business and higher educational capabilities to become a nationally recognized leader in intelligence and data mining by:

- Identifying and assessing the capacity of existing regional expertise in intelligence and data mining among higher education and private firms
- Leveraging that expertise to develop regionally or nationally competitive research programs that meet the needs of industry

Potential challenges to the Initiative's Success:

The region's capacity in intelligence and data mining is not well understood and not fully appreciated. That means that the potential for this emerging sector has not been adequately articulated. Erie's success in this sector depends first on the high profile priority that the nation is beginning to place on cybersecurity. Potential changes in Federal government policies, such as the impact of net neutrality as well as uncertainty about funding for the Department of Homeland Security and similar federal agencies, could starkly impact the region's capacity to grow. Furthermore, the success of this industry relies heavily on access to high speed broadband internet access, which is available in limited areas of the region, and will need continued regional public and private investment to remain competitive.

Potential Success Measures:

- Results from third party assessments of Destination Erie's status as a regional leader in the intelligence and data mining cluster
- Rate of growth among information, computer programming, and related firms
- Number of students enrolled regional intelligence and data mining programs
- The value of public and private investment in relevant intelligence and data mining research and development activities

Next Steps:

- Facilitate collaboration among area educational institutions and private companies to articulate Erie's core competencies in intelligence and data mining.
- Organize existing information about relevant academic programs and research into a cohesive statement of the region's higher education assets supporting intelligence and data mining.

Strategic Initiative: Promote the development of a more extensive local natural gas industry supply chain

The region relies too heavily on a few key industries. Natural gas represents an emerging asset that might be leveraged for export or for the competitive advance of local firms. Some parts of the region have natural gas for extraction, but much of the region will not be directly involved. Instead, Destination Erie needs to leverage its proximity to nearby gas extraction to meet related needs, including service, repair, and manufacturing supplier requirements. This effort will focus on better understanding the supply chain requirements of the industry and the potential for area companies to meet those needs. Furthermore, some related research activities are underway at the Natural Gas and Water Resources Institute located at nearby Youngstown State as well as at the Penn State-Behrend engineering school. These might also be utilized to help identify and develop new engineering technologies to support shale gas extraction or to address environmental concerns.

Potential challenges to the Initiative's Success:

Federal and state drilling and environmental policies as well as local government zoning and land use regulations have a large influence on the industry's local competitive advantage. For instance, recent announcements by the State of New York banning hydraulic fracturing creates a major impediment for investments in Chautauqua County. At the same time, relative global demand for natural gas and alternative energy sources are directly impacted by the spot price of oil on the global markets. Furthermore, new shale discoveries in other parts of the country are also creating competing sources of supply.

Potential Success Measures:

- Number of local suppliers
- Number of new jobs added
- Percentage increase in taxes generated
- Number of new natural gas businesses
- Percent of cost of goods sold tied to energy
- Employment rate of training completers in related industries

Next Steps:

- Conduct community education on natural gas opportunities throughout the region. Identify sponsors and regional experts for community presentations.
- Document supply chain in detail by analyzing the regional linkages important to the natural gas industry.

Concluding Thoughts

Destination Erie is a new approach to addressing a traditional regional challenge. The greater Erie area has endured decades of challenges to its primary economic engine – manufacturing – and yet it continues to survive. However, can it thrive? Perhaps, with a new vision, it can. This strategy is designed to provide that vision.

The actions proposed are bold and different. They require regional leaders to reconsider their priorities and to look at the region through a whole new lens. For one, the investments that Destination Erie leaders must make cannot answer the question of what benefits their own community most immediately, but instead it should be “what would have the greatest effect on the Erie region?” By posing this question, it is much more likely that local leaders will join forces to invest in some that could have a lasting impact and could fundamentally change the direction of the entire regional economy.

Seven big ideas have been offered. None of the 21 proposals have been lost, but the region must focus on a few things that it can achieve and make substantial progress. If it builds momentum in any of these areas (or completes them), then it should go back to the remaining 14 ideas to develop the next set of priorities. However, it is vital that Destination Erie take action now if its leaders want to create a bold new future rather than simply wait for it to happen.