

TO: Mike McCoy, Workforce Development Coordinator

FROM: Melissa Metz, CAO

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RE: Cluster Final Report

The Oregon Consortium/Oregon Workforce Alliance was awarded \$190,000 to develop capacity in identifying economic opportunities based on industry cluster relationships and to help stakeholders understand how to utilize cluster strategies to align labor markets and meet economic and social goals.

## 1. Traditional Challenges Persist

### 1.1. A thin economic base

Rural regions are comparatively disadvantaged in their ability to be innovative. Most economic geography literature suggests that the low business density and dispersed business population undermines rural businesses' ability to access and benefit from knowledge transfer or the knowledge spillovers and external economies that prevail in cities. Moreover, a thin business environment does not normally create an environment sufficiently competitive to stimulate innovation. However, this is not always the case; in some instances, these rural challenges actually become drivers of innovation. For example, a small business in a remote rural area is disadvantaged by distance and location, so it faces greater pressure to innovate in order to remain competitive. Furthermore, the spread of information and communication technology has arguably opened up rural markets and made them more exposed to international competition. Through the Internet, people now have access to a wider selection of rural products – clothes, art, leisure and food – than 25 years ago. Thus the pressure of international competition increases the pressure to innovate. Furthermore, rural economies tend to be dominated by very small businesses. These often face the traditional challenge of rising costs associated with 'distance', especially in transport. Small businesses tend to have very limited financial resources for investment in innovation, new technologies or product development. They also lack local innovation support services, reducing their access to sources of new knowledge and learning. Advances in information and communication technology have somewhat improved matters by providing new opportunities for accessing knowledge, but there is still much to do, particularly in the transfer of tacit knowledge.

### 1.2. A weak knowledge base

With a few exceptions— rural areas suffer from the absence of training vendors, reducing their access to learning and skills. Rural students are forced to migrate to urban areas to receive the training needed to survive in a modern economy. Rural areas also lack access to local institutions that recognize their businesses' needs.

## 2. New challenges are a barrier and an incentive

### 2.1. Innovating for environmental sustainability

The growing “green” agenda is exerting more political and social pressure to achieve an environmentally friendly rural economy. From farming to forestry, environmental regulation is putting more pressure on rural industries to meet national and international environmental standards. Typical small rural industries often do not have the means to invest in new technologies, practices or techniques to meet these challenges. This reduces their ability to respond innovatively to the pressure of regulation, making it an additional business cost that threatens their competitiveness.

### 2.2 Public services and the quality of life

Rural areas derive much of their competitiveness from their high quality of life. But that quality of life can be threatened by poor access to public services, an absence reflecting similar challenges to those in the private sector. The delivery of public services to dispersed and sparse rural communities involves high inefficient costs associated with transport, connectivity and access, as well as in recruiting skilled workers to provide these services.

## 3. Driving innovation strategies identified for TOC/OWA

### 3.1. Support local partnerships

Help rural businesses organize through forums and associations to create a critical mass of ‘buyers’ and ‘suppliers’. This should help rural businesses to articulate their offerings and demands, creating markets for ‘innovation’.

### 3.2. Provide a ‘distance-neutral’ infrastructure

A ‘distance-neutral’ infrastructure can be used regardless of one’s location. The broadband infrastructure is well established in most rural areas, but there is a need to invest in connectivity research to create new modes and models of collapsing distances and working in virtual environments. A good example is the new TOC/OWA Virtual Board Room and how it can help reduce the impact of distance on individuals, communities and businesses. Additionally TOC/OWA is working on formalizing and harnessing the power of social networking.

### 3.3. Invest in knowledge transfer and learning

Local economic and workforce partners continue to work in developing opportunities for work experience, on-the-job training and summer youth opportunities focused on cluster industries, high wage and high demand occupations and green jobs which helps in the facilitation of rural innovation.

#### 3.4. Target the individual

Without people, there is no innovation. Government support for rural areas should target individuals as much as businesses. In many rural areas, they are often the same, since many are one- or two-person businesses. Businesses in rural areas, particularly in peripheral areas, tend to be either very small (<10 employees) or consisting of self-employed persons. In these circumstances, every individual matters. Women and senior citizens are two key groups traditionally overlooked by innovation initiatives such as women entrepreneurs and the use of the elderly workforce who enjoy more flexible work arrangements.

#### 3.5. Help sustain a high quality of life

Rural areas must maintain or better yet enhance its attraction quotient for new and emerging industries. Government must therefore continue to invest in the provision of rural public services to help these areas maintain their quality of life comparative advantage, offset other challenges and accelerate the benefits accrued from attracting new and emerging industries.

### 4. Initial Outcomes of Cluster Funded Activities

#### 4.1. Technical Assistance to WRTs, RWIBs and LWIB Members

Cluster funds helped offset some of the associated costs of offering nationally recognized speakers on innovation strategies and utilizing industry cluster partnerships for economic and workforce development purposes. Some of the presentations included:

- Economic Modeling by EMSI
- Something New Emerging by Virginia Hamilton
- Who We Are and What We Do by Tom Fitzgerald, Nevadaworks
- The Canadian Approach to Clusters and Entrepreneurial Support by Carrie Schafer, College of the Rockies
- New Tools for Building Community Networks that Drive Change, Corporation for a Skilled Workforce
- Using Broadband Telecommunications for Economic and Community Development by Christopher Tamrin, OECDD
- Just Ahead of Cutting Edge! By Bob Rhoden, Workforce Solutions Texoma

#### 4.2. Investment into the Economic Modeling Software

Cluster funds were invested into the EMSI economic modeling software. This software provides valuable support in rural cluster strategy development and integrated systems implementation for long-term rural economy sustainability. Some of the features of the software include:

- Industry and occupation data with ranking reports

- Ten-year projections
- Integrated web-based geographic information system (GIS)
- Career clusters/pathways reports
- Custom regions
- Industry cluster analysis
- Economic indicators
- Occupational competencies and program data
- Postsecondary institution data
- Economic impact simulations
- Economic base analysis
- Suggest new industries and find regional purchasing gaps

#### 4.3. Joint Meeting of the U.S. Conference of Mayors Workforce Development Council and The High Skills Consortia

TOC/OWA's CEO and Chair of OWA attended the joint meeting of the US Conference of Mayors Workforce Development Council and The High Skills Consortia sponsored by the National Center on Education and the Economy. The focus of this conference was national policy and strategy development to address the workforce crisis.

#### 4.4. SO-Wine (Pilot Project Investment R6) (See final report from Umpqua Community College)

#### 4.5. Manufacturing Value Chain Cluster (Pilot Project Investment R13) (See final report from OMEP)

### 5. On-going Cluster Related Initiatives & Workgroup

#### 5.1. Social Networking (Supporting Strategy 3.1 and 3.2)

Social Networking provides a form for tacit knowledge exchange. With tacit knowledge, people are not often aware of the knowledge they possess or how it can be valuable to others. Tacit knowledge is considered more valuable because it provides context for people, places, ideas, and experiences. Effective transfer of tacit knowledge generally requires extensive personal contact and trust.

TOC/OWA is applying for a RIG DOLETA grant to support leveraging the power of Social Networking.

#### 5.2. TOC/OWA Virtual Board Room (Supporting Strategy 3.1 and 3.2)

TOC invested in Virtual Board Room technology across the 24 counties. This broadband technology has enabled remote service provision in innovative new ways. One recent example has been offering the OWIB Drug and Alcohol seminars across the 24 counties using the TOC Virtual Board Room as the conduit. As TOC/OWA continues to leverage the power of Social Networking the use of technology to support local partnerships and work in virtual environments will expand exponentially.

### 5.3. Rural Lean GSTF Project (Supporting Strategy 3.1 and 3.3)

The WRT has identified several small manufacturers that are potential candidates for assistance. The proposed project would serve four of these small rural manufacturers as a “pilot project” allowing a trainer to adapt its usual training and implementation approach to one that better serves the needs of small businesses in rural settings. This will lay the foundation for rural economic development by creating a pathway and streamlined process for serving the needs of these manufacturers throughout Oregon. It will also provide employees with high-demand skills that often lead to promotions and higher wages – a common result of Lean implementation since it typically leads to increased productivity, profitability and growth. This project will serve to extend much-needed services and assistance to small manufacturers in the state’s rural areas with the ultimate goal of revitalizing rural economies, skilling-up workforce, creating jobs, and promoting vibrant rural communities.

### 5.4. Work Experience Pilot Project R11 (Supporting Strategy 3.3)

Central Oregon Intergovernmental Council in Klamath and Lake Counties is working aggressively with Klamath Community College and Oregon Institute of Technology to offer work experience that immerses students in their career field while in school.

### 5.5. Employer Workforce Training Fund (Supporting Strategy 3.4)

TOC/OWA is piloting in PY08 current workers scholarships addressing the workforce pipeline on an individual basis. [The customer for EWTF training services are current private sector workers who are attached to a high-wage, high-demand or high-skilled occupation and want to advance in that field or a current worker in a survival job who desires through training to attain a high-wage, high-demand or high-skilled occupation.](#)

### 5.6. Business & Industry Committee (Supporting Strategy 3.5)

The Business & Industry Committee was established in April 2008 as a standing committee of TOC/OWA. The top item on their work plan is to develop and support Industry Clusters and Associations. One point of interest is that 43% of EWTF investments in PY08 have been made in the manufacturing cluster and 25% of EWTF investments in PY08 have been made in the health care cluster.

(See attached Charter, Work Plan & Roster for the B&I Committee)