

WELCOME

October 6, 2017

Presented by:

UNK

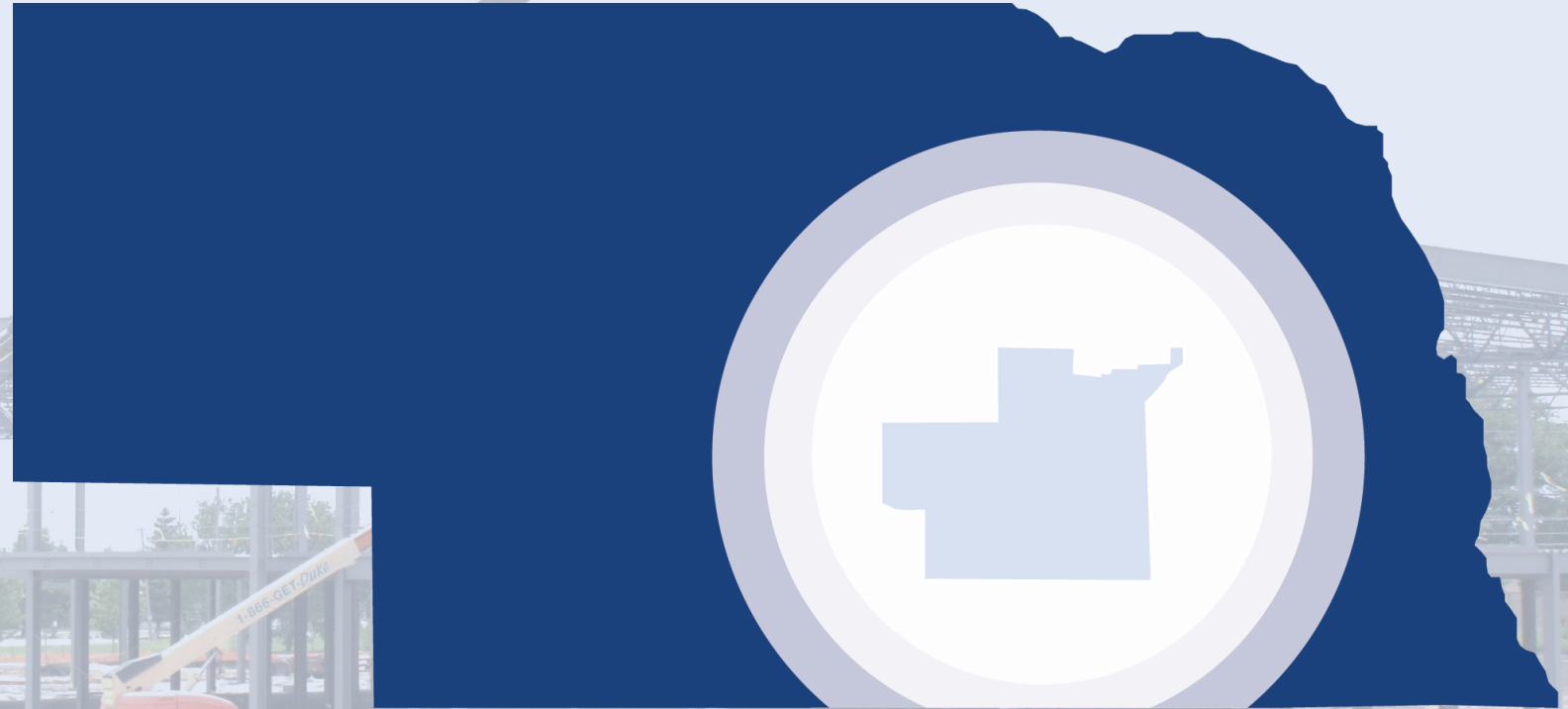
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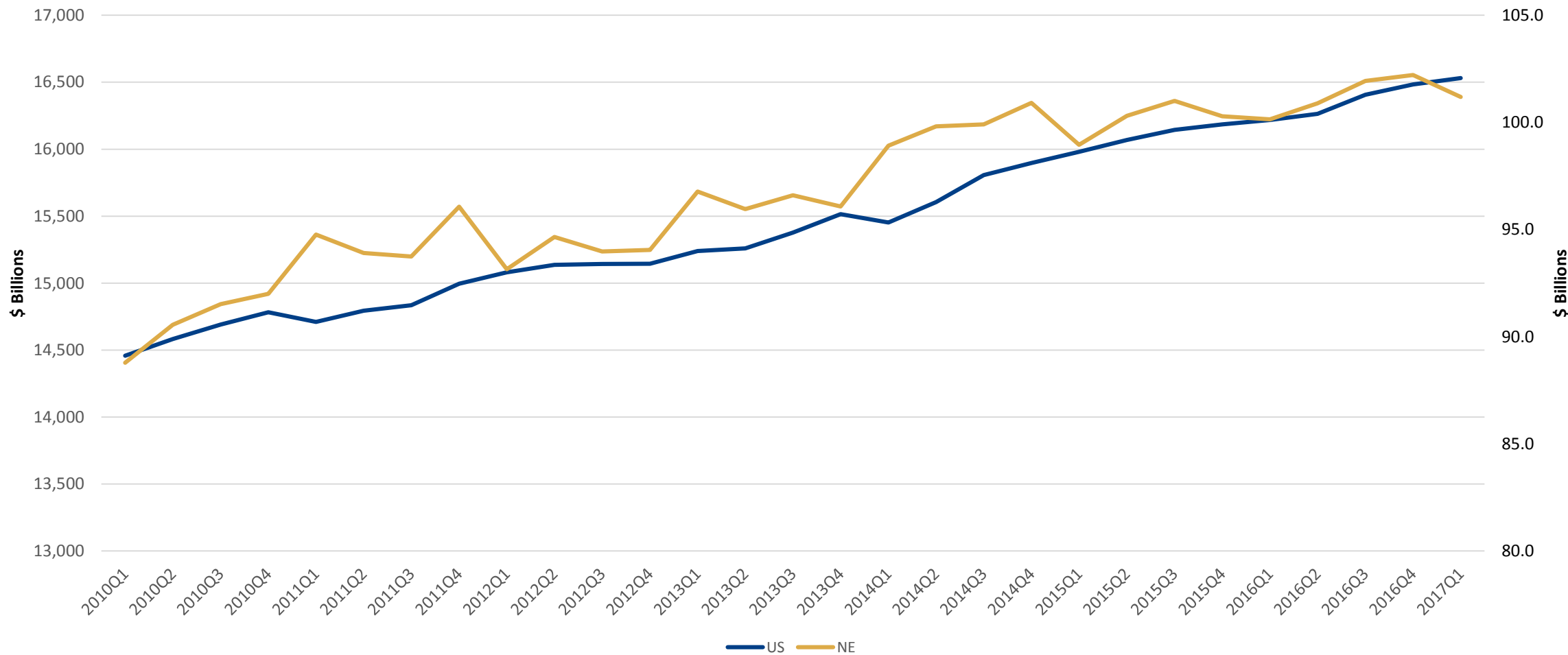


TRI-CITY AREA ECONOMIC FORUM

Overview

- **State Indicators**
- Tri-City Area
- Tri-City Area – Employment
- Tri-City Area – Entrepreneurship

Real GDP: Nebraska vs. U.S.



Source: Bureau of Economic Analysis

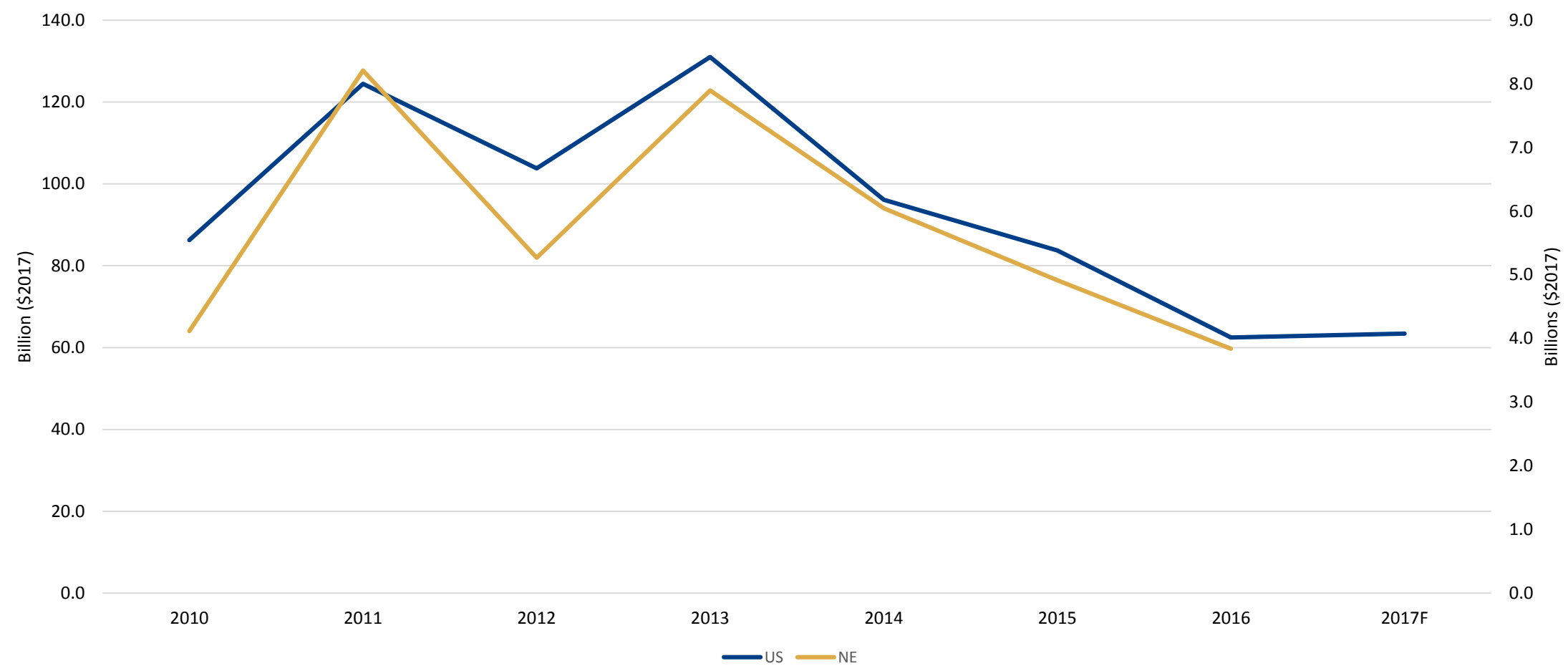
Contribution to Nebraska Real GDP Growth by Industry

Industry		NE Industry Composition	Contribution to Real GDP Growth	
			2010-2017	2013-2017
Goods	Manufacturing	11.2%	-0.09%	-1.49%
	Agriculture, forestry, fishing, and hunting	5.1%	-0.20%	-1.17%
	Construction	3.4%	-0.38%	0.11%
	Mining	0.1%	-0.05%	-0.11%
Service	Real estate and rental and leasing	10.2%	1.87%	0.87%
	Finance and insurance	9.5%	2.77%	2.16%
	Health care and social assistance	7.7%	1.44%	0.74%
	Transportation and warehousing	7.1%	0.11%	-0.02%
	Wholesale trade	7.1%	1.72%	1.37%
	Retail trade	5.8%	0.78%	0.26%
	Professional, scientific, and technical services	4.3%	0.22%	0.12%
	Information	3.2%	0.81%	0.61%
	Administrative and waste management services	3.0%	1.05%	0.58%
	Management of companies and enterprises	2.8%	0.96%	0.36%
	Utilities	2.1%	0.37%	0.07%
	Accommodation and food services	2.0%	0.22%	0.14%
	Other services, except government	2.0%	0.05%	0.03%
	Educational services	0.6%	-0.14%	-0.05%
	Arts, entertainment, and recreation	0.5%	0.10%	0.02%
	Government	12.3%	-0.02%	0.47%
Total, All Industries		100.0%	11.6%	5.1%

Note: Contribution to Nebraska real GDP calculation $100 * \frac{Real\ GDP_{i,t-1}}{\sum_i Real\ GDP_{i,t-1}} * \left(\frac{Real\ GDP_{i,t}}{Real\ GDP_{i,t-1}} - 1 \right)$. Percentage of total real GDP by industry is in parentheses.

Source: Bureau of Economic Analysis

Real Net Farm Income, 2010-2017F

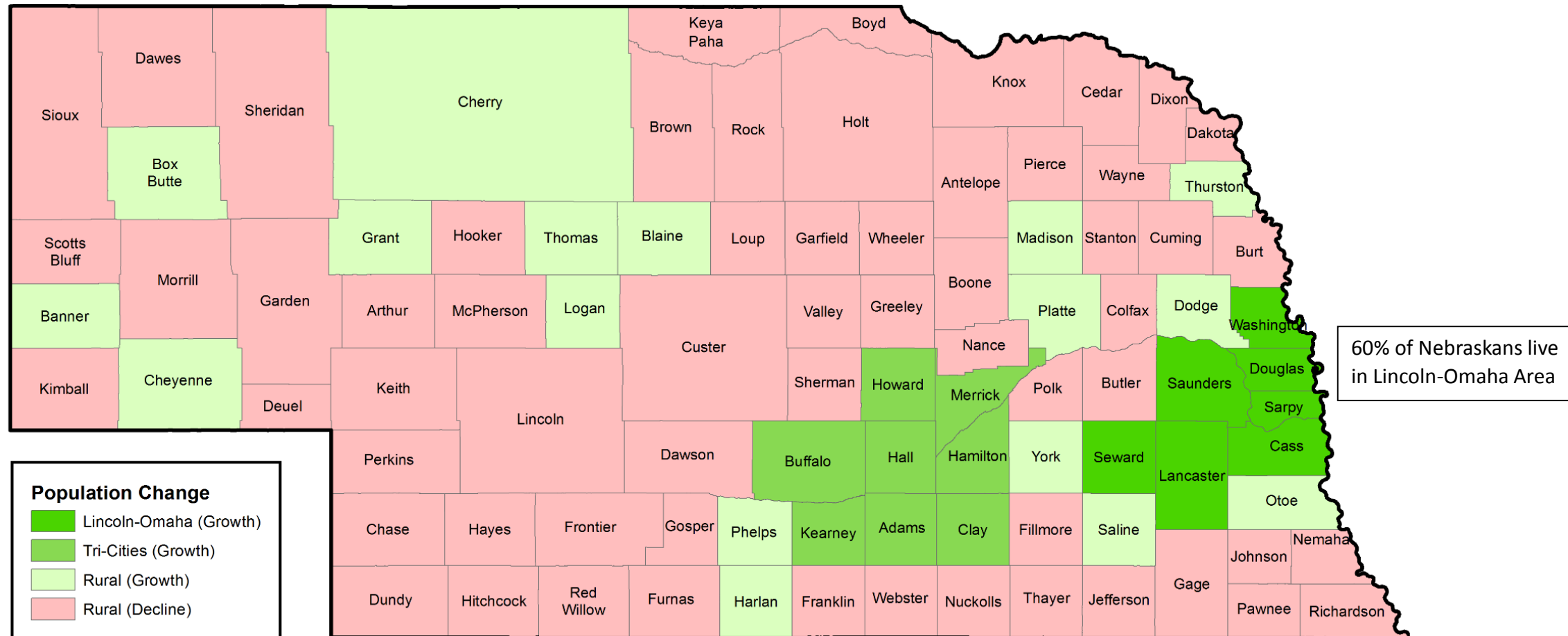


Source: USDA, Economic Research Service, Farm Income and Wealth Statistics

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Tri-City Area Population Growth



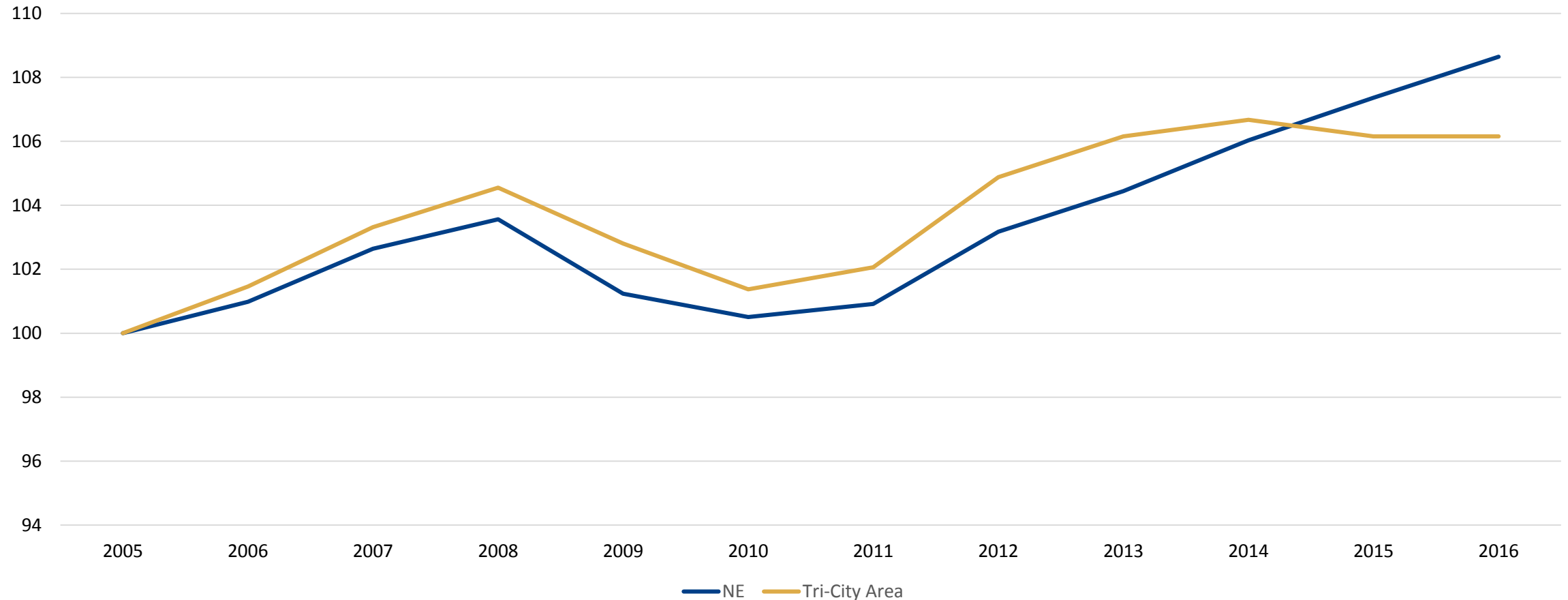
Note: Figure was created by Paul Burger, Geography Department, University of Nebraska at Kearney
Source: U.S. Census Bureau

10% of Nebraskans
live in Tri-City Area

Overview

- State Indicators
- Tri-City Area
- **Tri-City Area – Employment**
- Tri-City Area – Entrepreneurship

Employment: Tri-City Area vs. Nebraska



Note: Index of Growth since 2005 (2005 = 100)

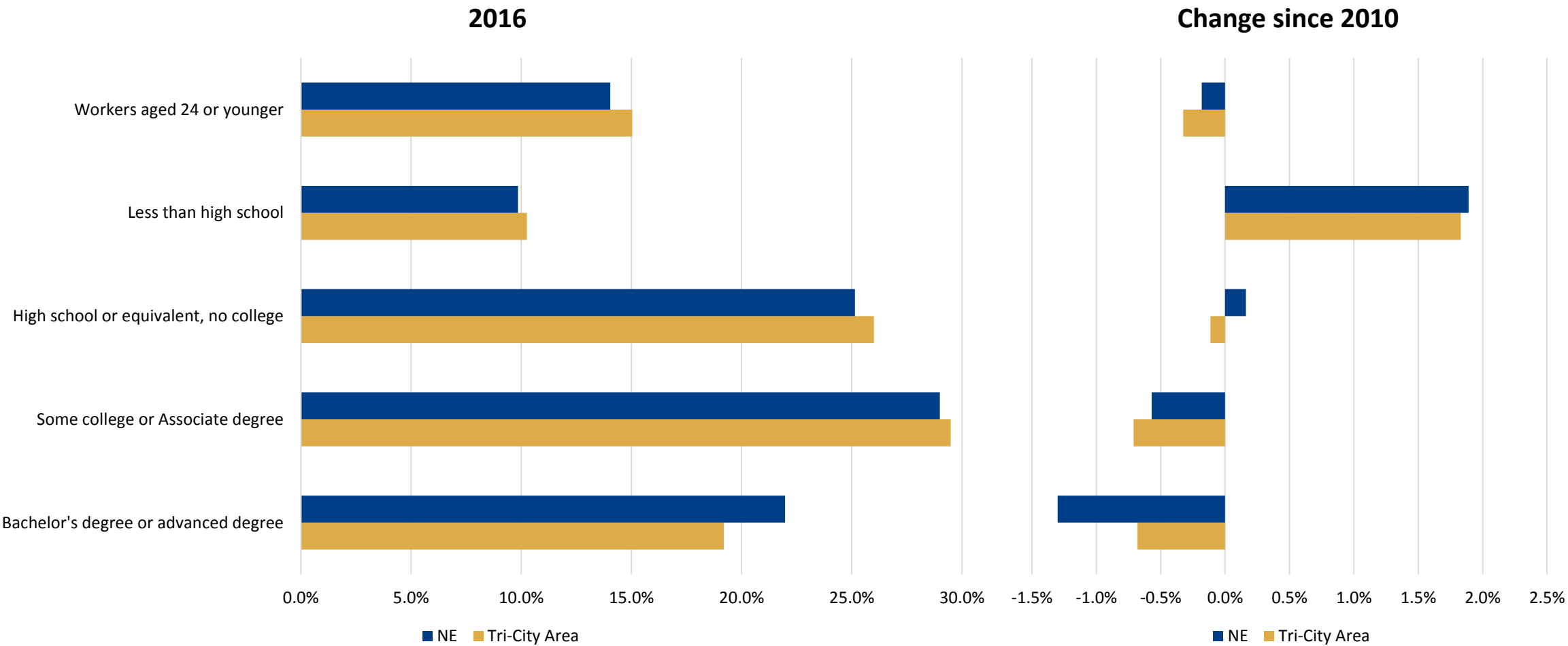
Source: Nebraska Department of Labor

Contribution to Employment Growth: Top 4 Industries

Industry	Tri-City Area Industry Composition	Tri-City Area		Nebraska	
		2010- 2016	2014- 2016	2010- 2016	2014- 2016
Manufacturing	16%	1.3%	-0.2%	0.6%	-0.1%
Health Care and Social Assistance	15%	1.2%	-0.1%	1.7%	0.4%
Retail Trade	13%	0.3%	-0.2%	0.7%	0.2%
Accommodation and Food Services	9%	0.8%	0.3%	0.9%	0.3%
Total, All Industries		5.9%	-0.1%	8.0%	2.4%

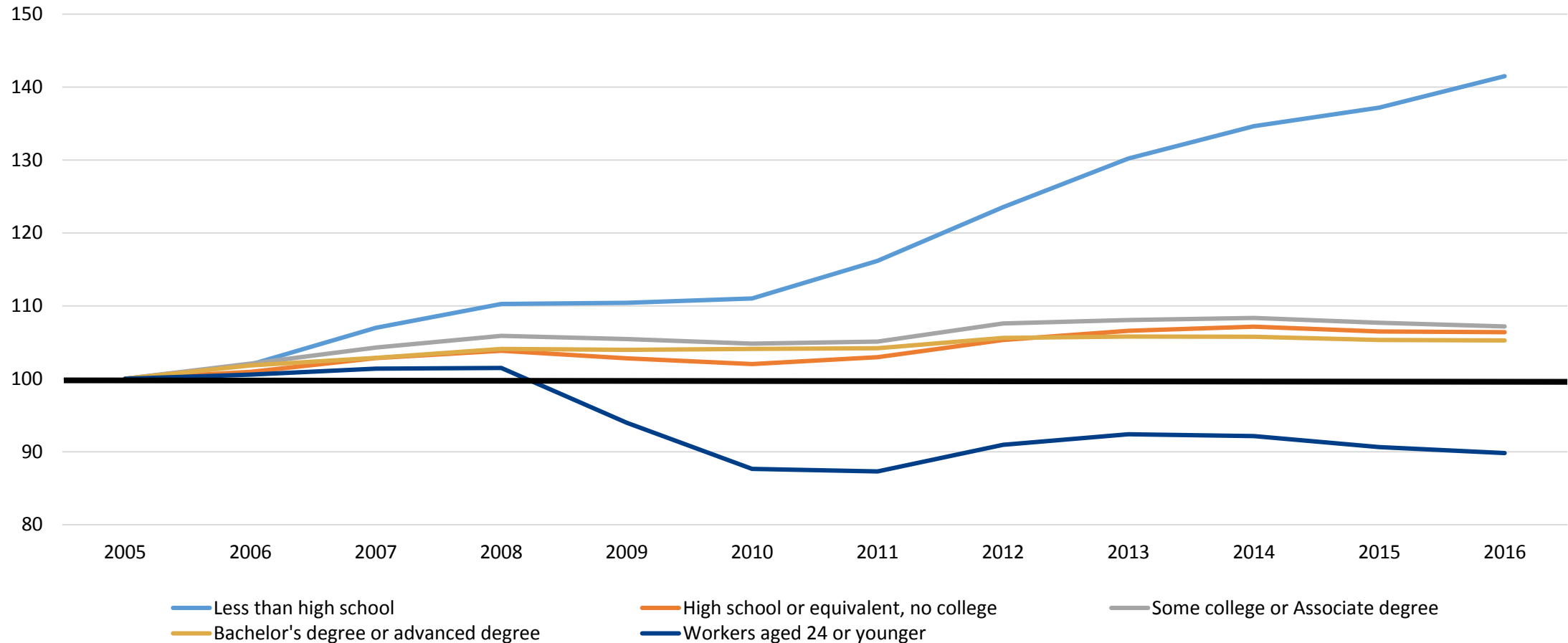
Source: Nebraska Department of Labor

Composition of Employment by Education, All Industries



Source: Longitudinal Employer-Household Dynamics (LEHD) Program Quarterly Workforce Indicators (QWI)

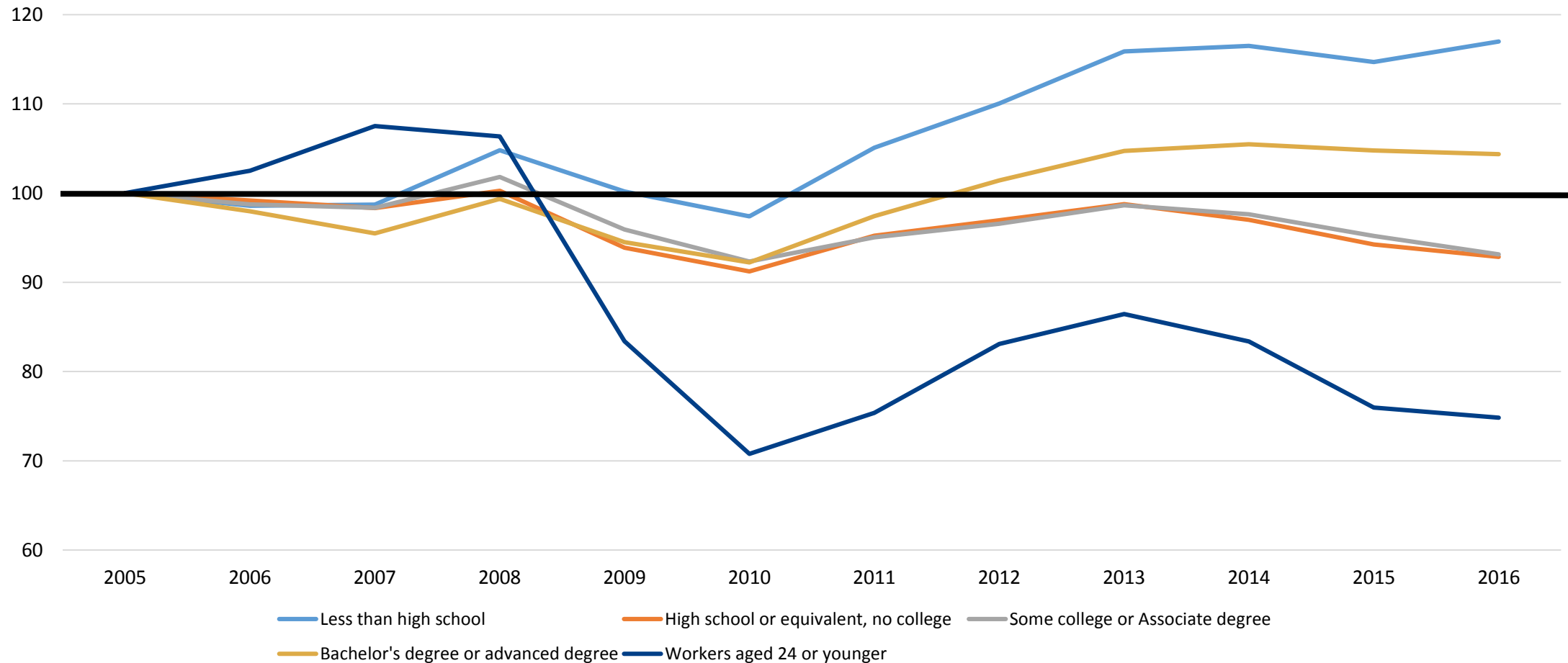
Employment by Educational Attainment, **All Industries**



Note: Index of Growth since 2005 (2005 = 100)

Source: Nebraska Department of Labor

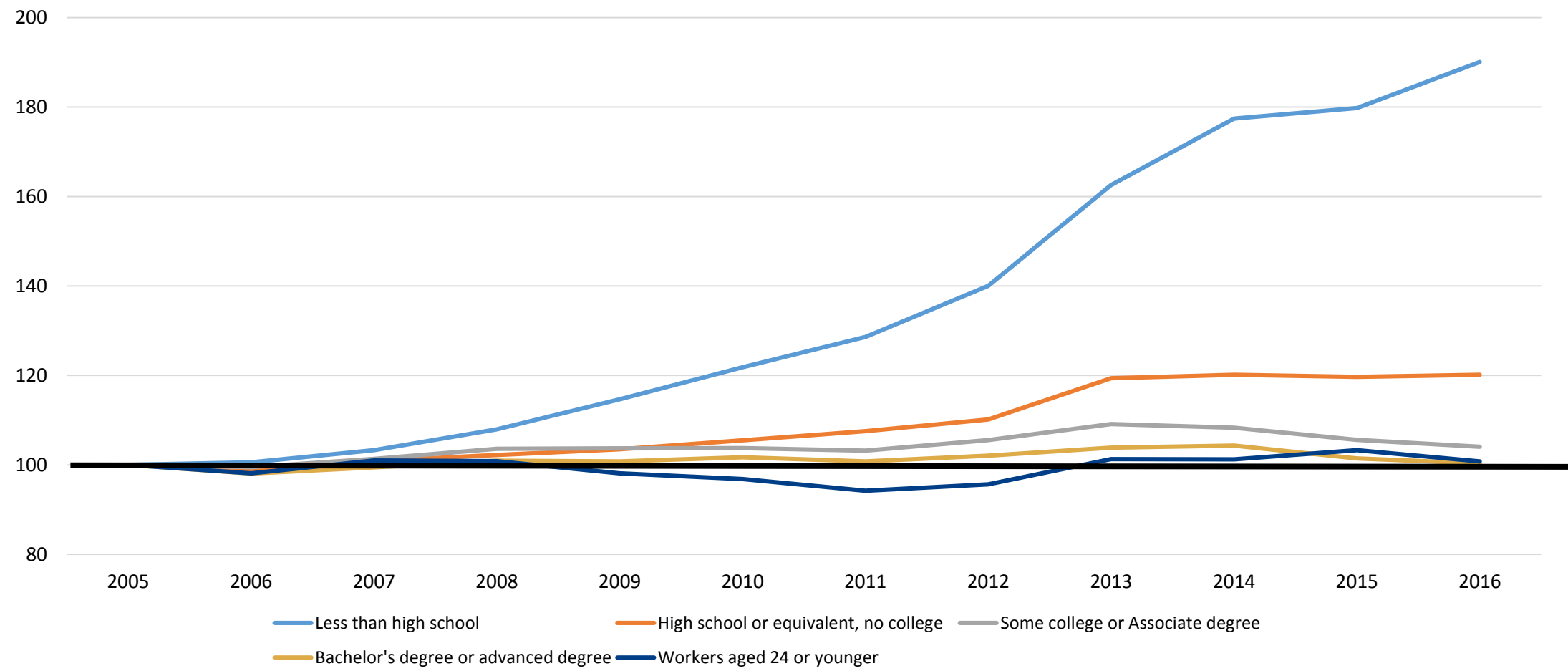
Employment by Educational Attainment, Manufacturing



Note: Index of Growth since 2005 (2005 = 100)

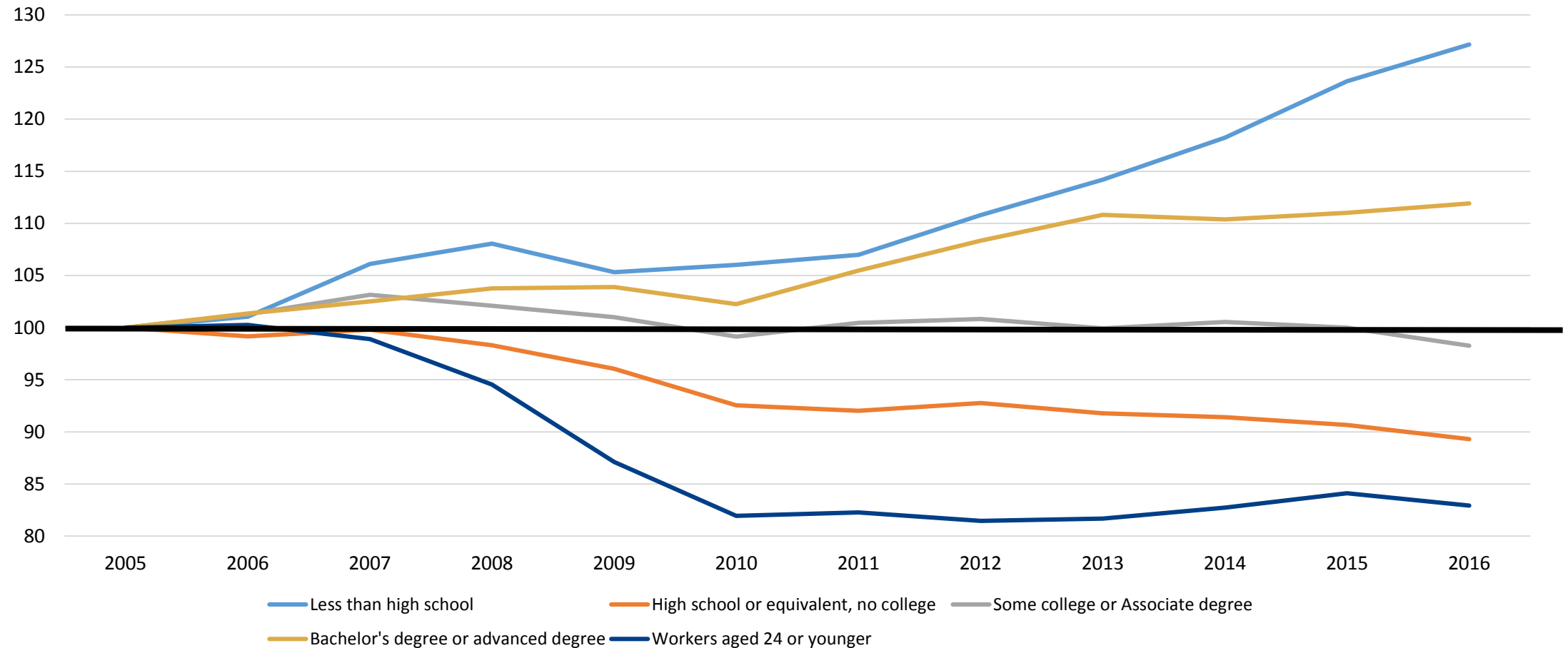
Source: Nebraska Department of Labor

Employment by Educational Attainment, Health Care



Note: Index of Growth since 2005 (2005 = 100)
Source: Nebraska Department of Labor

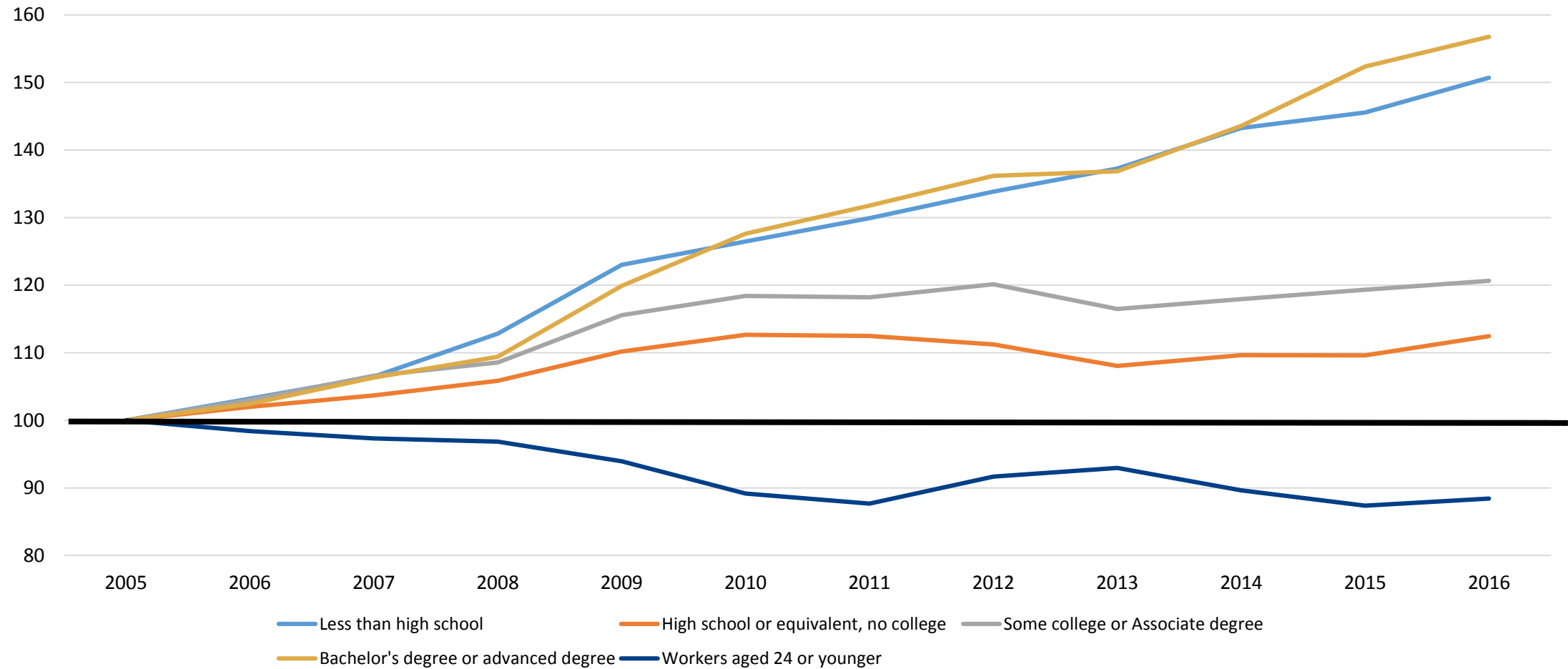
Employment by Educational Attainment, Retail Trade



Note: Index of Growth since 2005 (2005 = 100)

Source: Nebraska Department of Labor

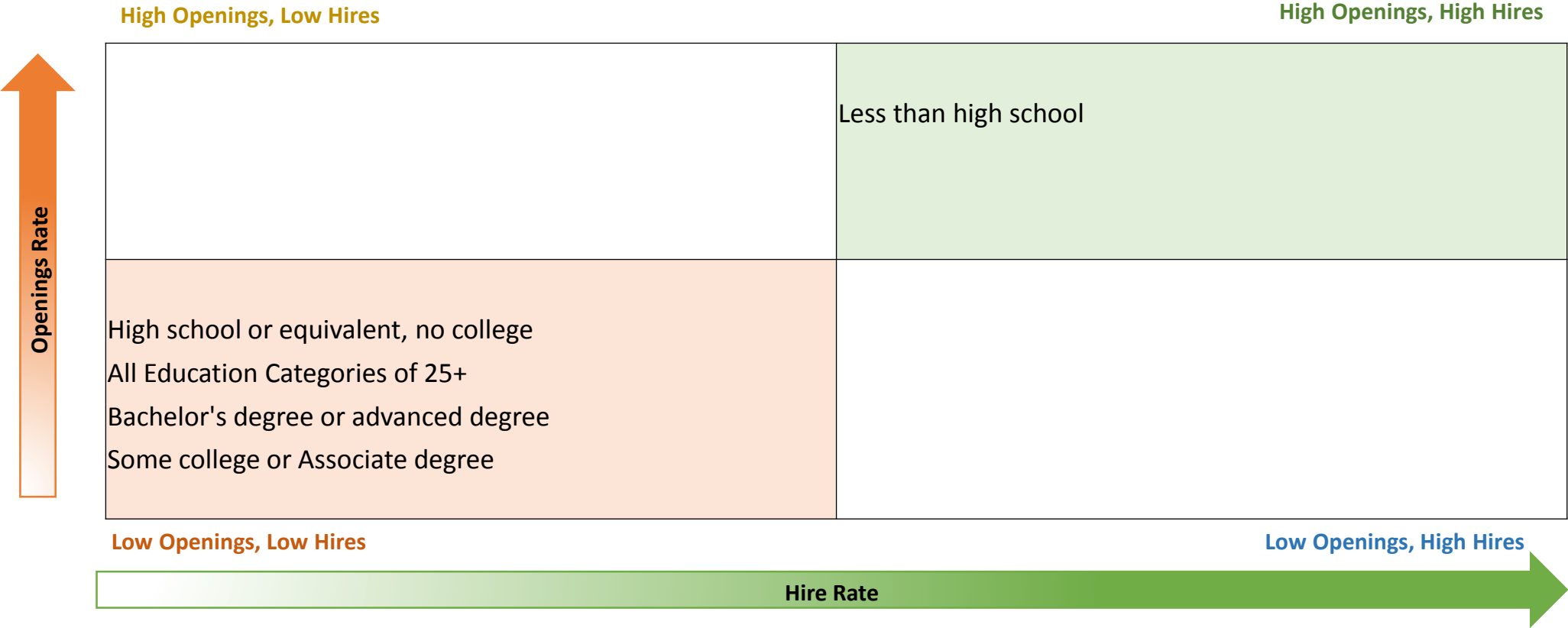
Employment by Educational Attainment, Accommodations & Food Services



Note: Index of Growth since 2005 (2005 = 100)

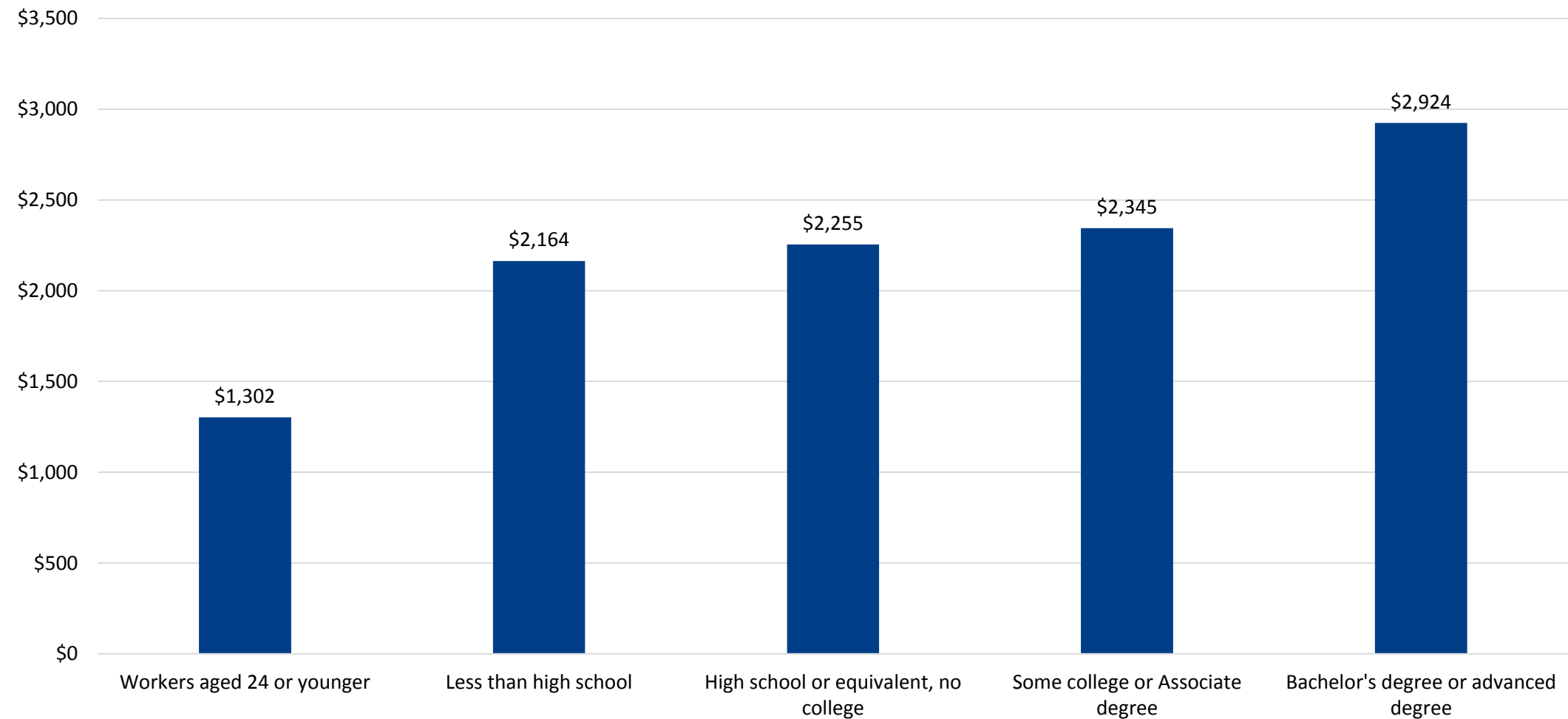
Source: Nebraska Department of Labor

Hires & Job Openings by Education, 2016



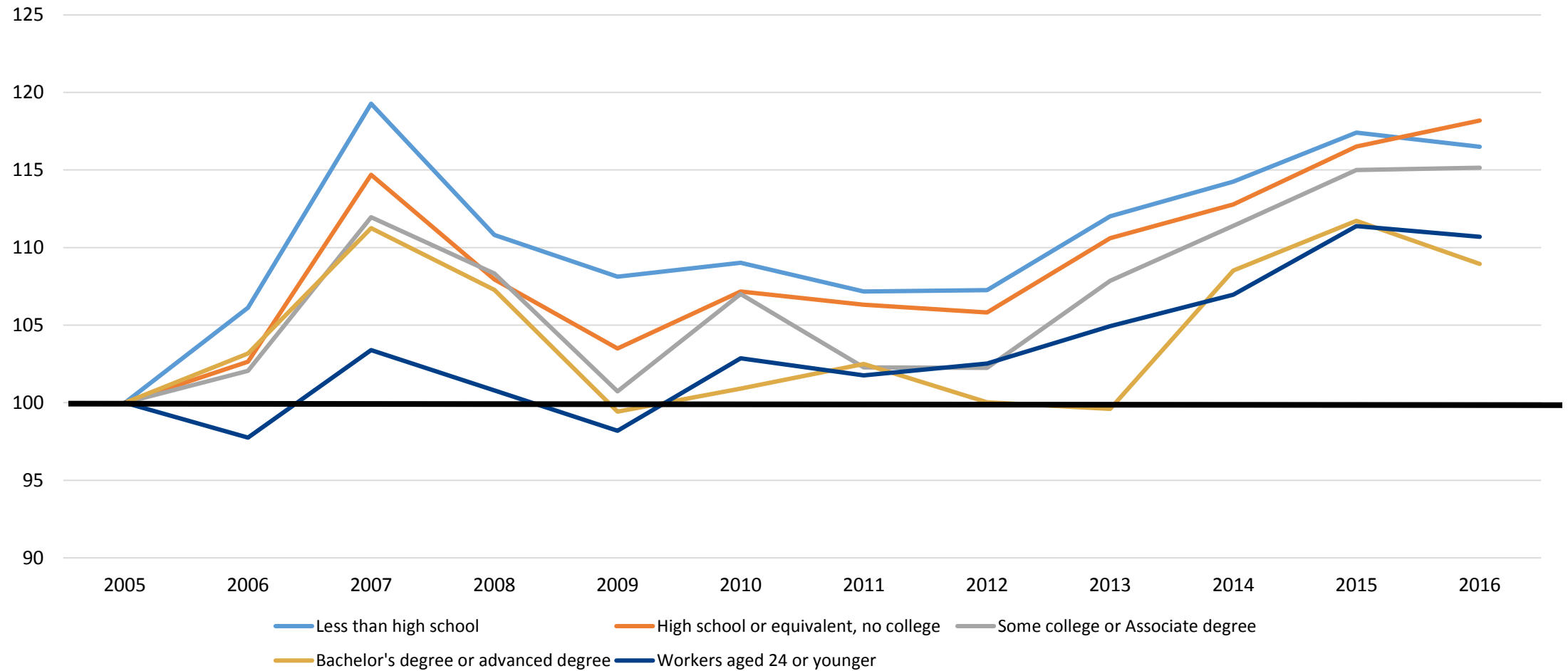
Source: Nebraska Department of Labor; Longitudinal Employer-Household Dynamics (LEHD) Program Quarterly Workforce Indicators (QWI)

Average Monthly Earnings of New Hires, 2016



Source: Longitudinal Employer-Household Dynamics (LEHD) Program Quarterly Workforce Indicators (QWI)

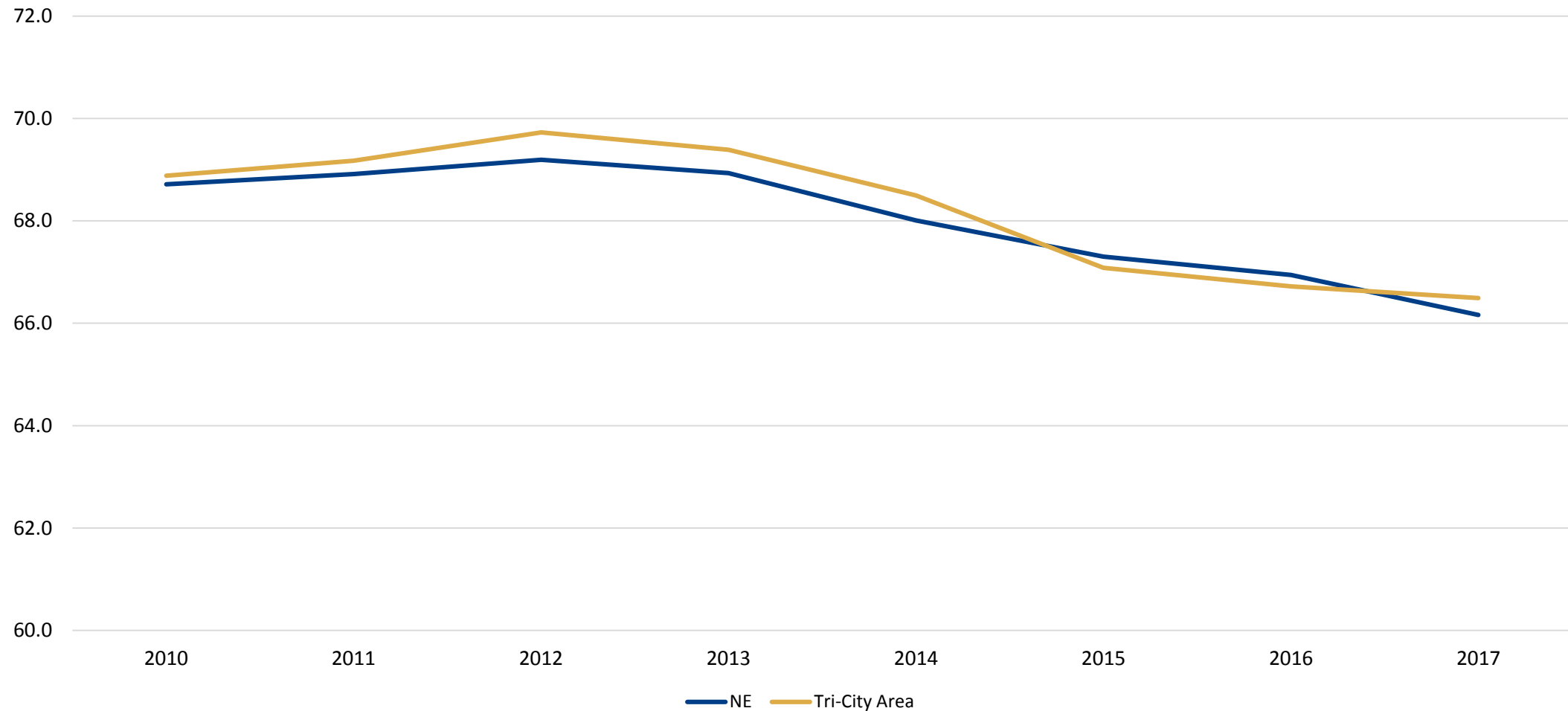
Real Average Monthly Earnings of New Hires



Note: Index of Growth since 2005 (2005 = 100)

Source: Longitudinal Employer-Household Dynamics (LEHD) Program Quarterly Workforce Indicators (QWI)

Labor Force Participation Rates, 2010-2017



Source: Nebraska Department of Labor; U.S. Census

Challenges

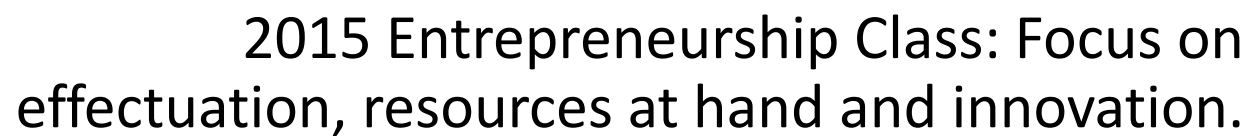
- Sluggish employment growth in Top 3 industries
- Composition of workers by education level has shifted
- Employment growth driven by workers with less than a high school degree, particularly in Health Care and Social Assistance
- Declining participation has downside implications for the long-run size of the economy

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- **Tri-City Area – Entrepreneurship**



Making the case for entrepreneurship





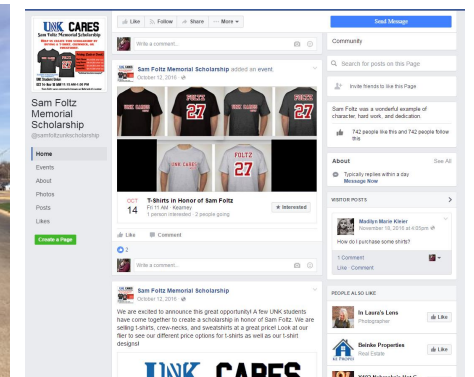
“I have no idea *how* to actually start a business”

-2015 Entrepreneurship student evaluation comment



Question

Entrepreneurship Project at UNK

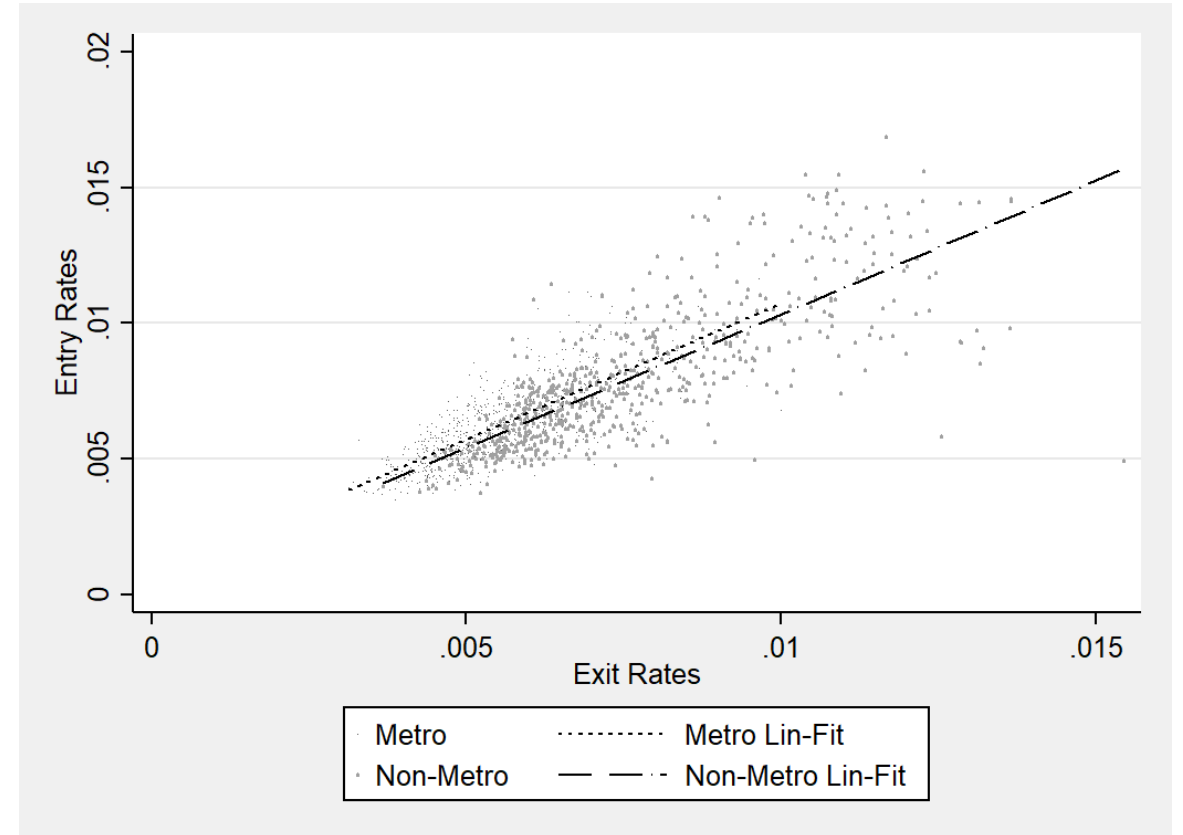
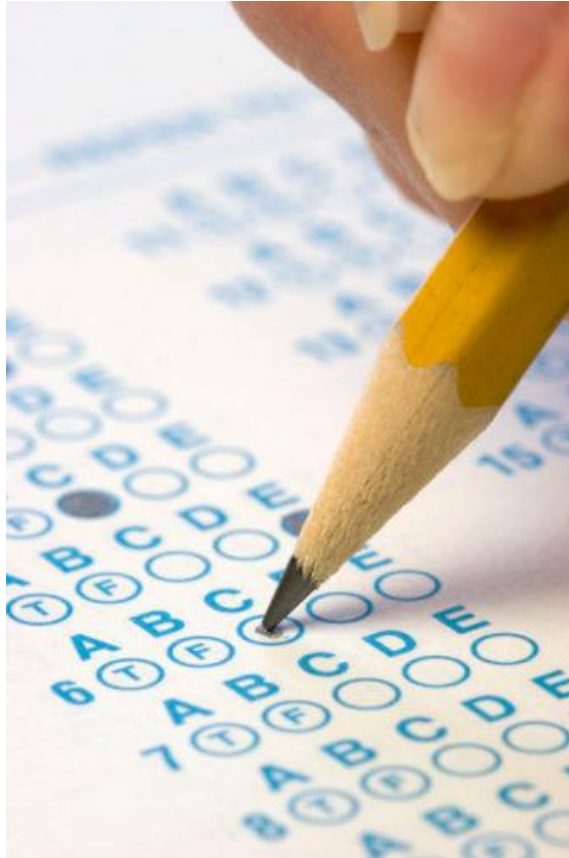


Entrepreneurship – The Upside



- It is **new businesses** (and not small businesses) that fuel U.S. job creation (Haltiwanger, Jarmin & Miranda 2013)
- Companies **less than one year old with 1-4 employees** have created more than **1 million jobs per year** over the past 3 decades
- Those with 5-9 employees have added 500,000 jobs per year
- Young firms exhibit **up or out** dynamic (<http://www.nber.org/papers/w16300.pdf>)

Entrepreneurship – The Downside



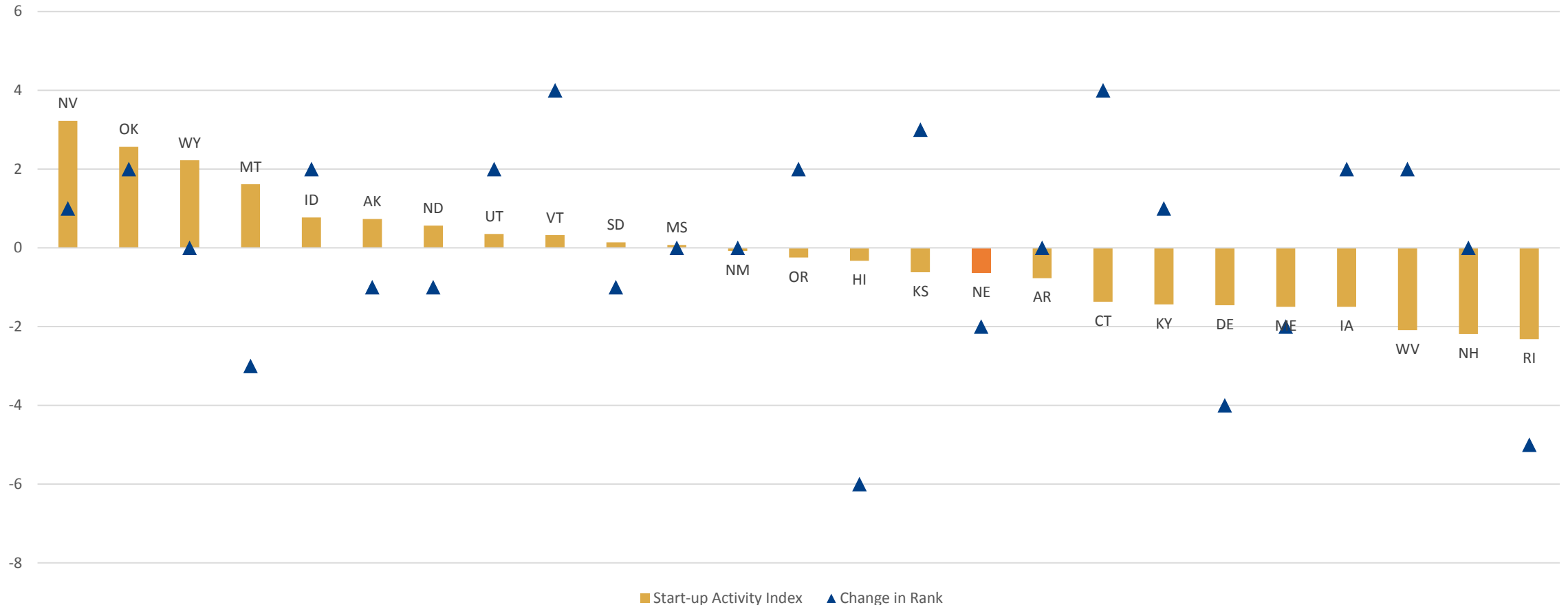
New establishment entry rates are highly correlated with exit rates, Resources must be freed up to be utilized in new ventures, Process of creative destruction

Source: Business Dynamics Survey at https://www.census.gov/ces/dataproducts/bds/data_firm.html



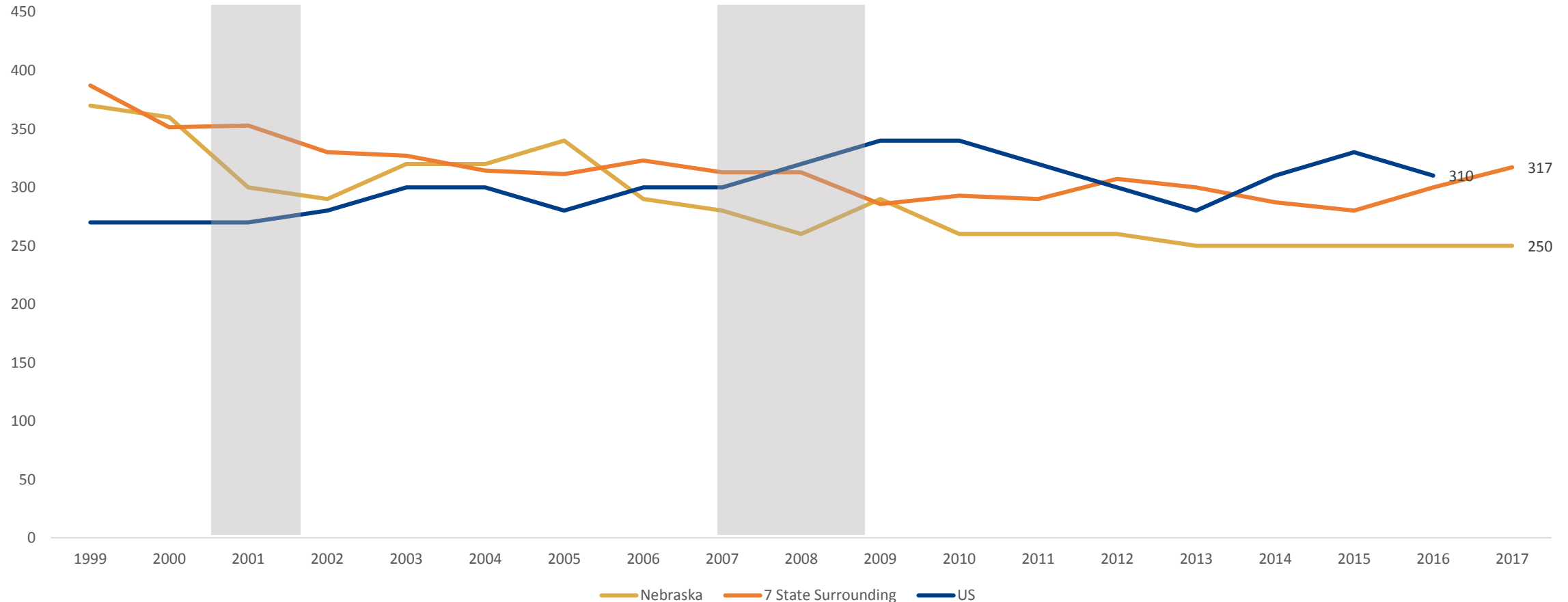
Where we stand

Kauffman Start-Up Activity Index



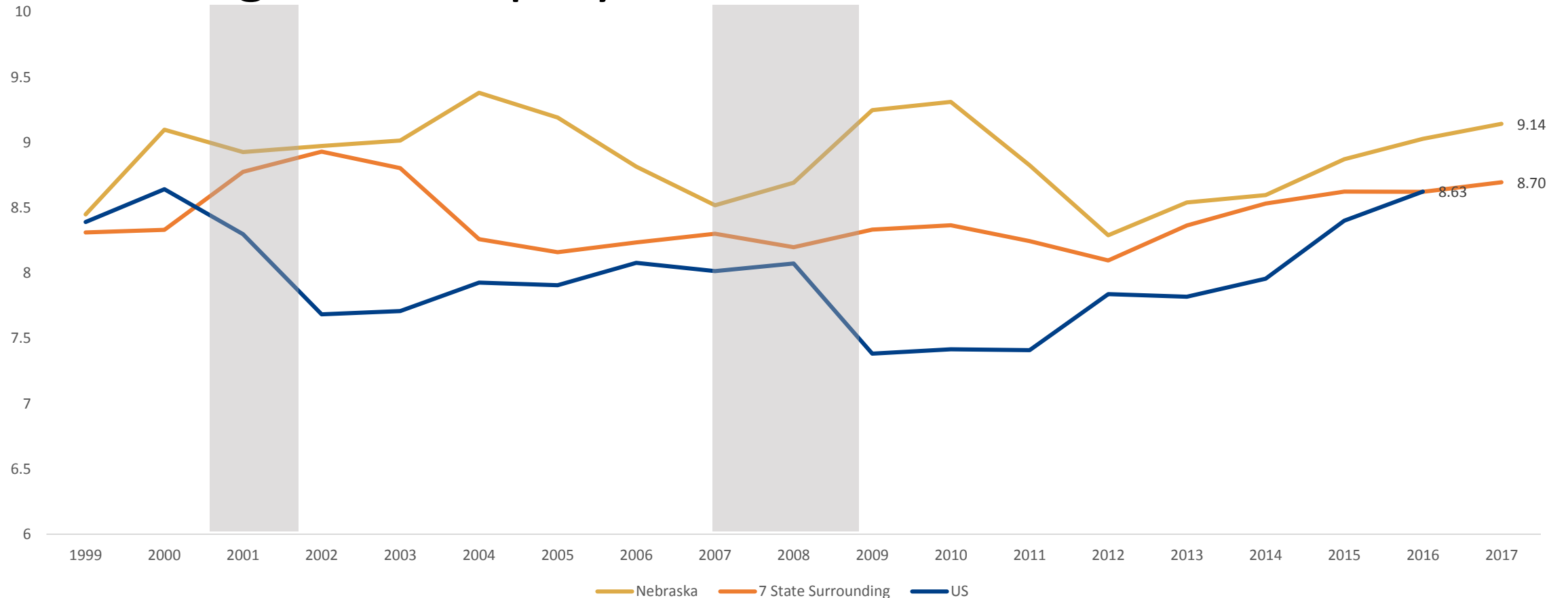
The Kauffman startup activity index is a broad index measure of business startup activity in the United States. It is an equally weighted index of three normalized measures of startup activity including: The Rate of New Entrepreneurs in the economy, calculated as the percentage of adults becoming entrepreneurs in a given month. The Opportunity Share of New Entrepreneurs, calculated as the percentage of new entrepreneurs driven primarily by "opportunity" vs. "necessity." The Startup Density of a region, measured as the number of new employer businesses normalized by total business population. The index is ranked across the 50 most and least populated states. Kauffman Index <http://www.kauffman.org/kauffman-index/reporting/startup-activity>

Rate of New Entrepreneurs Starting a Business Per Month Per 100,000 Adults



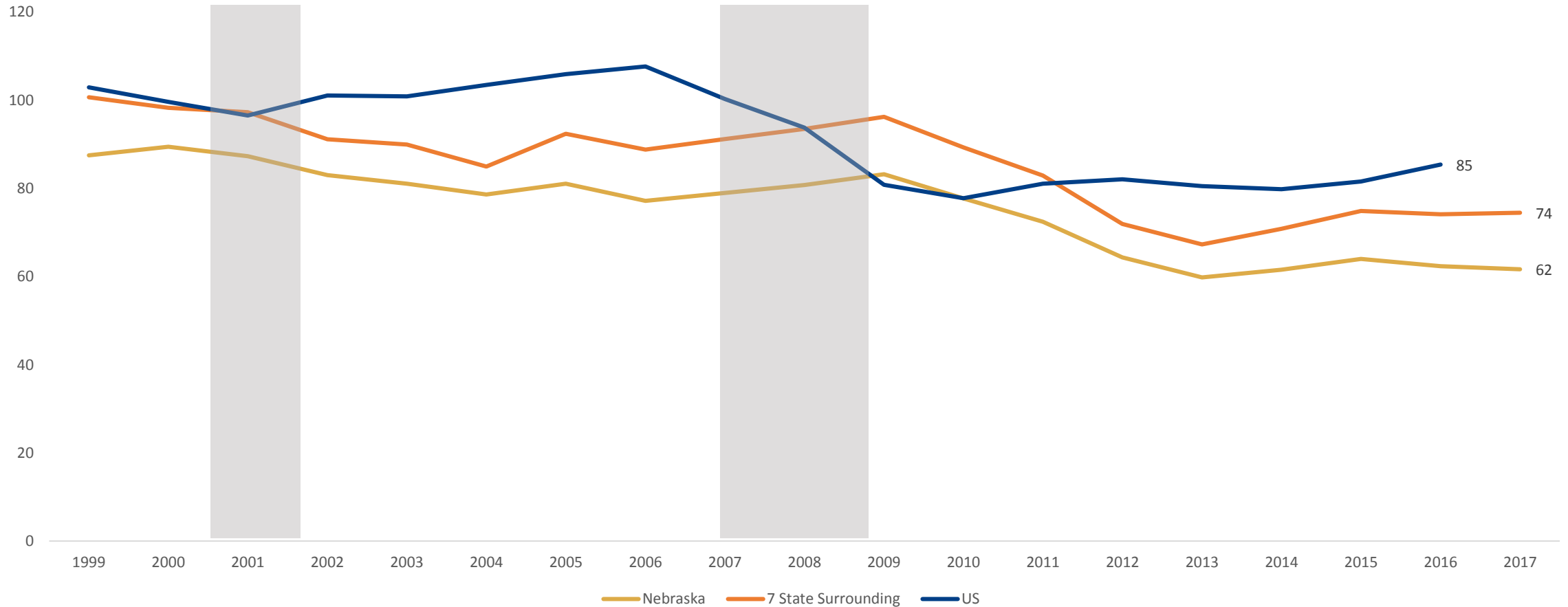
Source: The Kauffman Index at <http://www.kauffman.org/kauffman-index/reporting/startup-activity>. Gray bars indicate recessions.

Opportunity Share of New Entrepreneurs Percent Coming from Employment



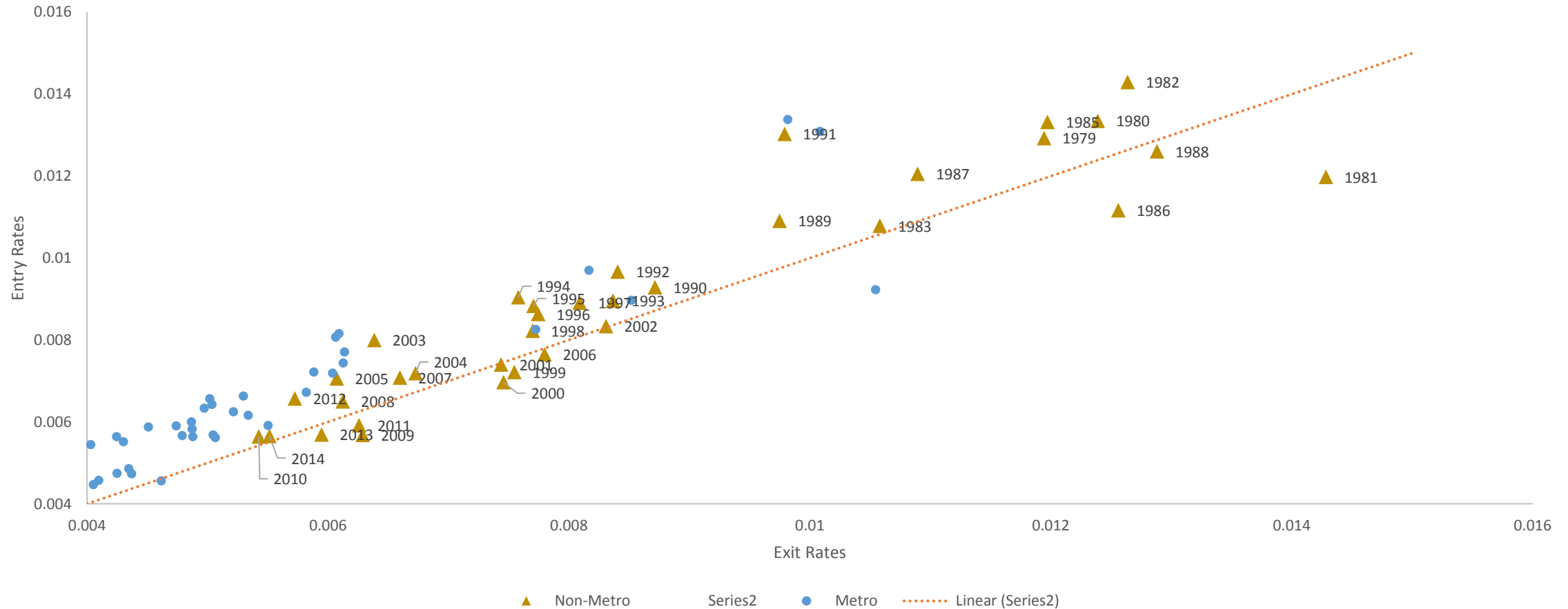
Source: The Kauffman Index at <http://www.kauffman.org/kauffman-index/reporting/startup-activity>. Gray bars indicate recessions.

Number of Startups per 1,000 Employer Businesses

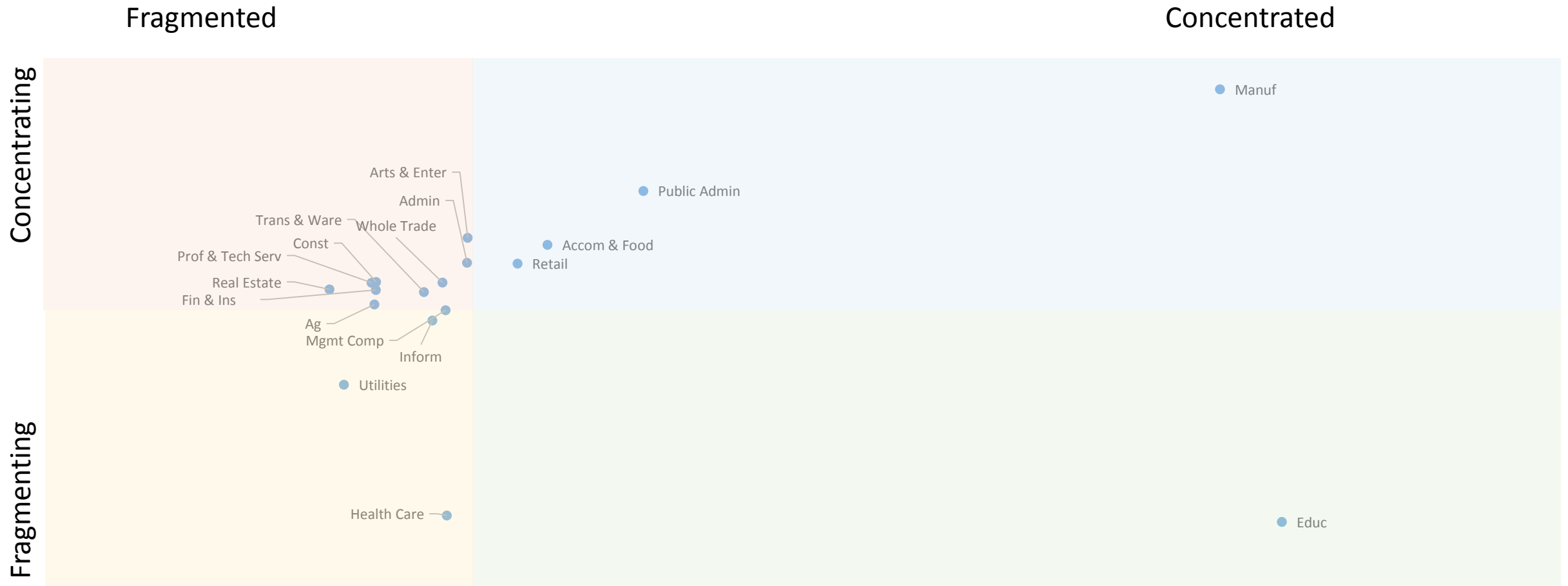


Source: The Kauffman Index at <http://www.kauffman.org/kauffman-index/reporting/startup-activity>. Gray bars indicate recessions.

Entry Rates and Exit Rates (Non) Metro Nebraska



Sector Fragmentation/Concentration

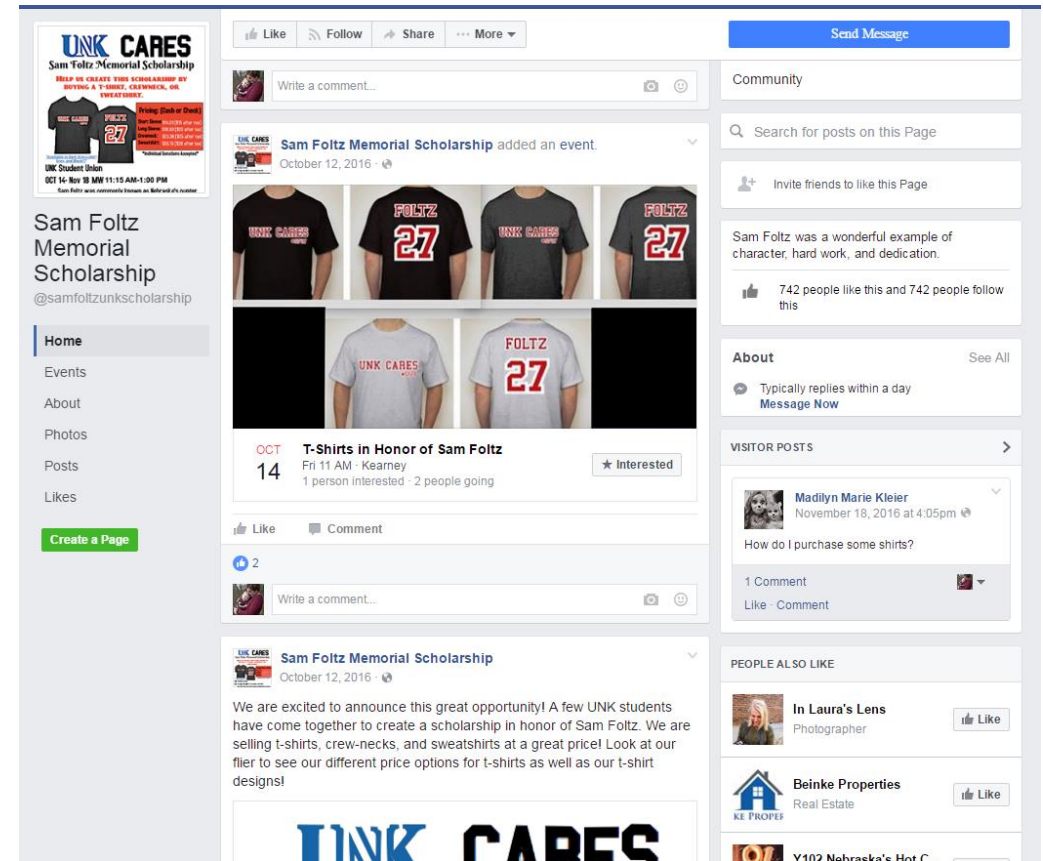


Source: Bureau of Labor Statistics comparing employer based businesses from 2011-2016. An index was created based on the share of number of firms compared to the share of employees within the Tri-City Area. Share of employees was divided by share of firms. When share of employees is larger than the share of firms (index is >1) the sector is classified as concentrated (converse for when the share of employees is smaller than share of firms (index is <1) the sector is classified as fragmented).

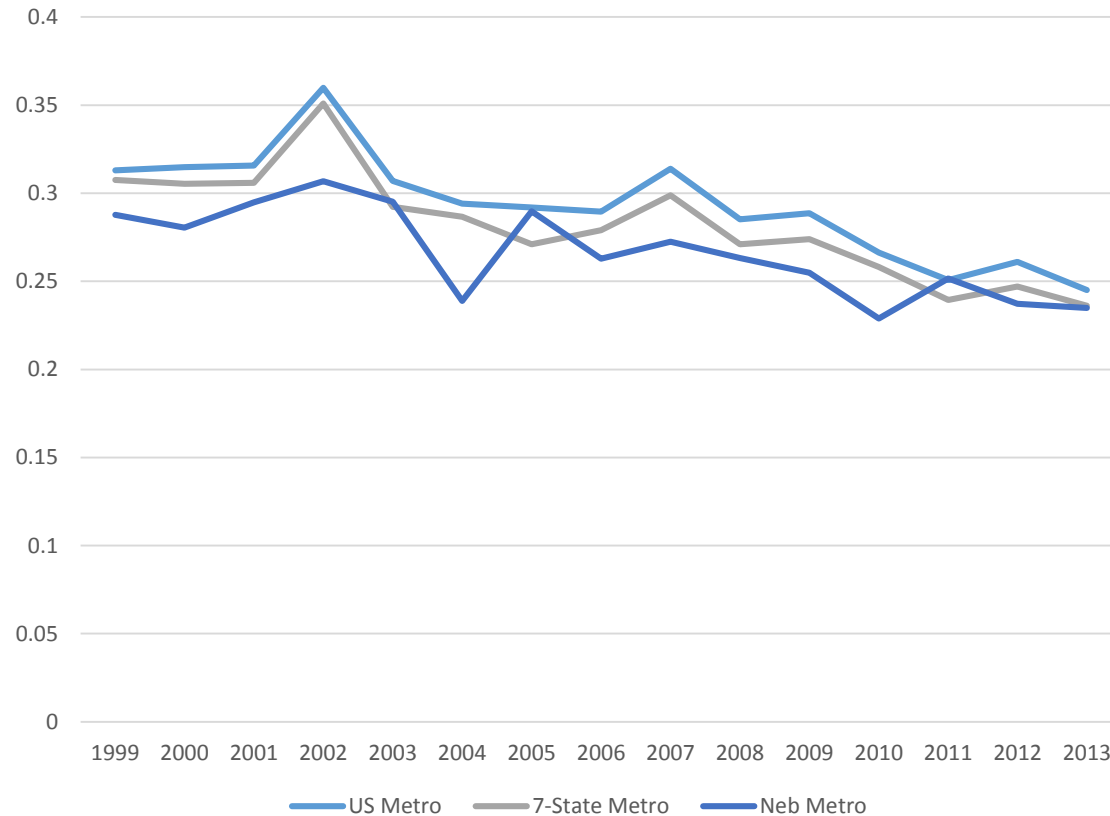


What might be holding us back

Reallocation – Pivots – Creative Destruction

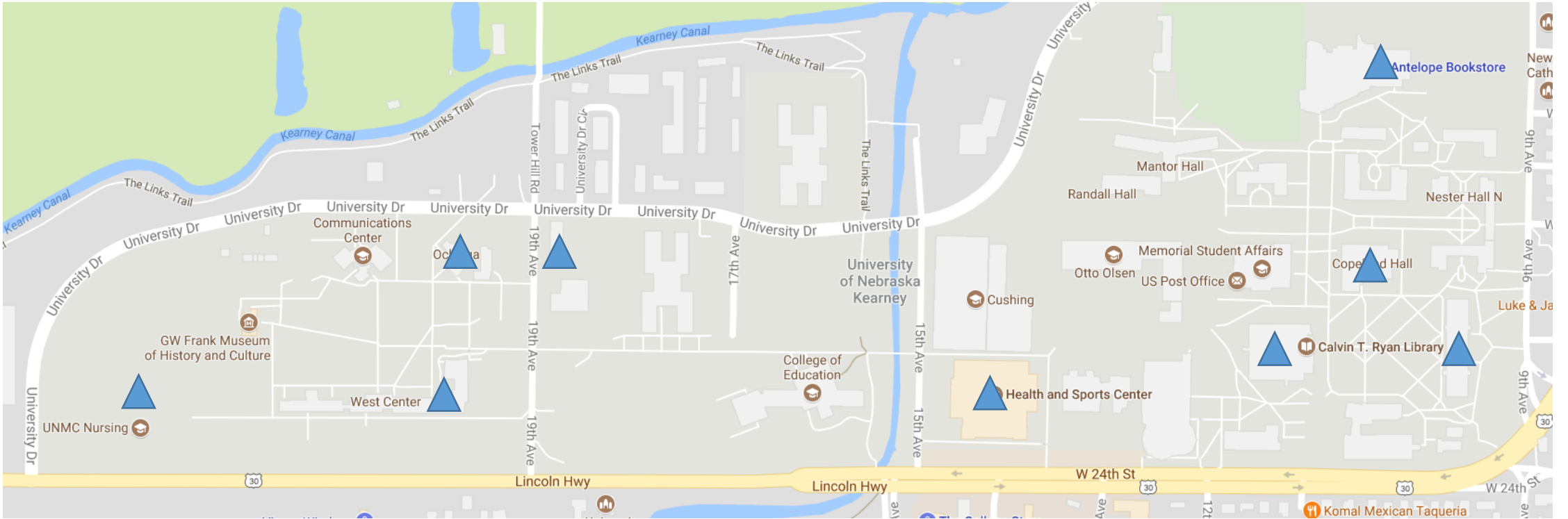


Nebraska Reallocation rate for Metro Non-Metro

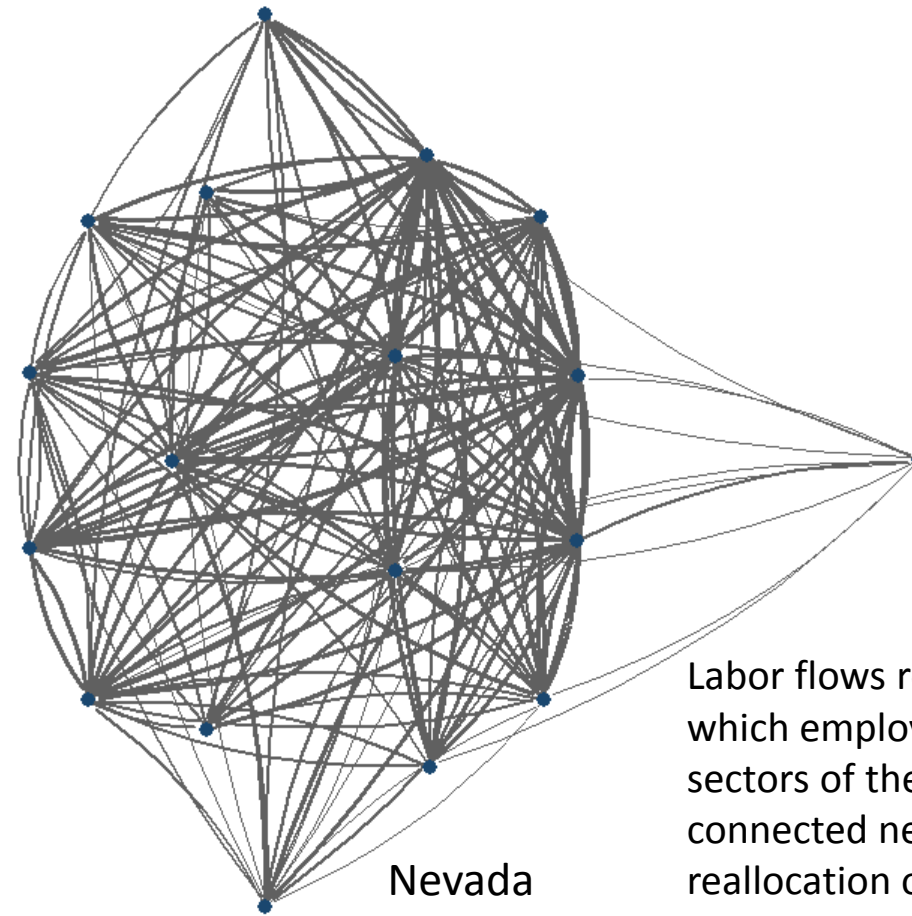
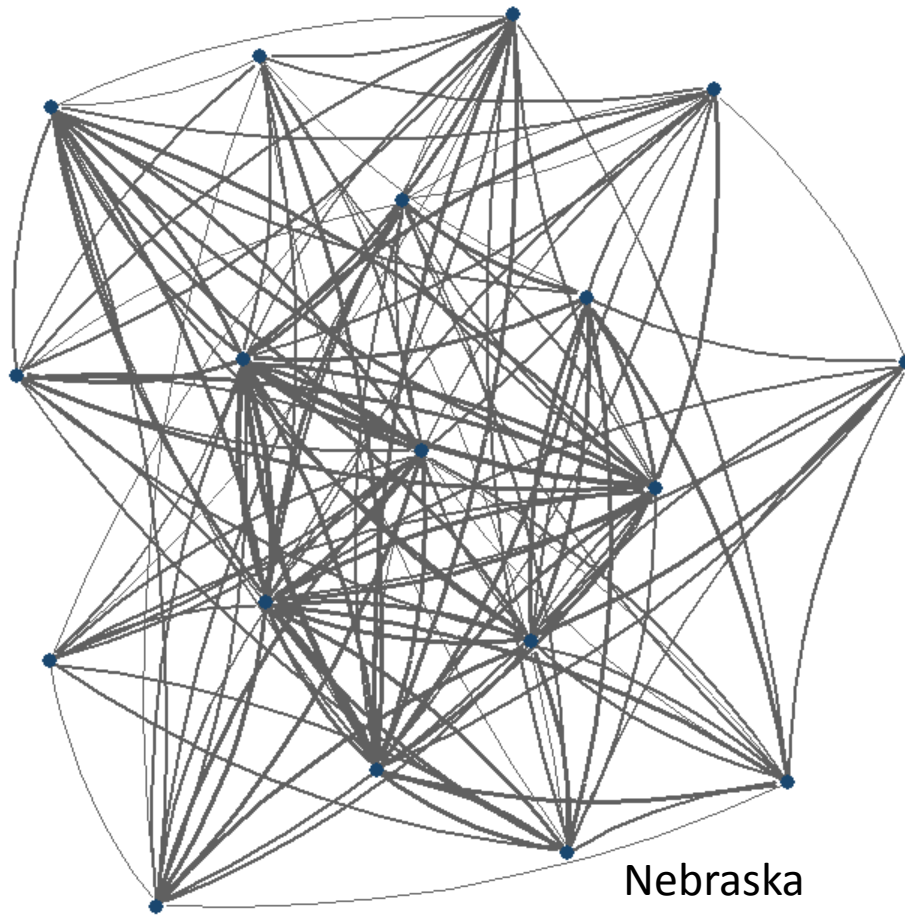


Source: Business Dynamics Survey at https://www.census.gov/ces/dataproducts/bds/data_firm.html

Networks and Reallocation



Comparing Nebraska and Nevada Labor Flows

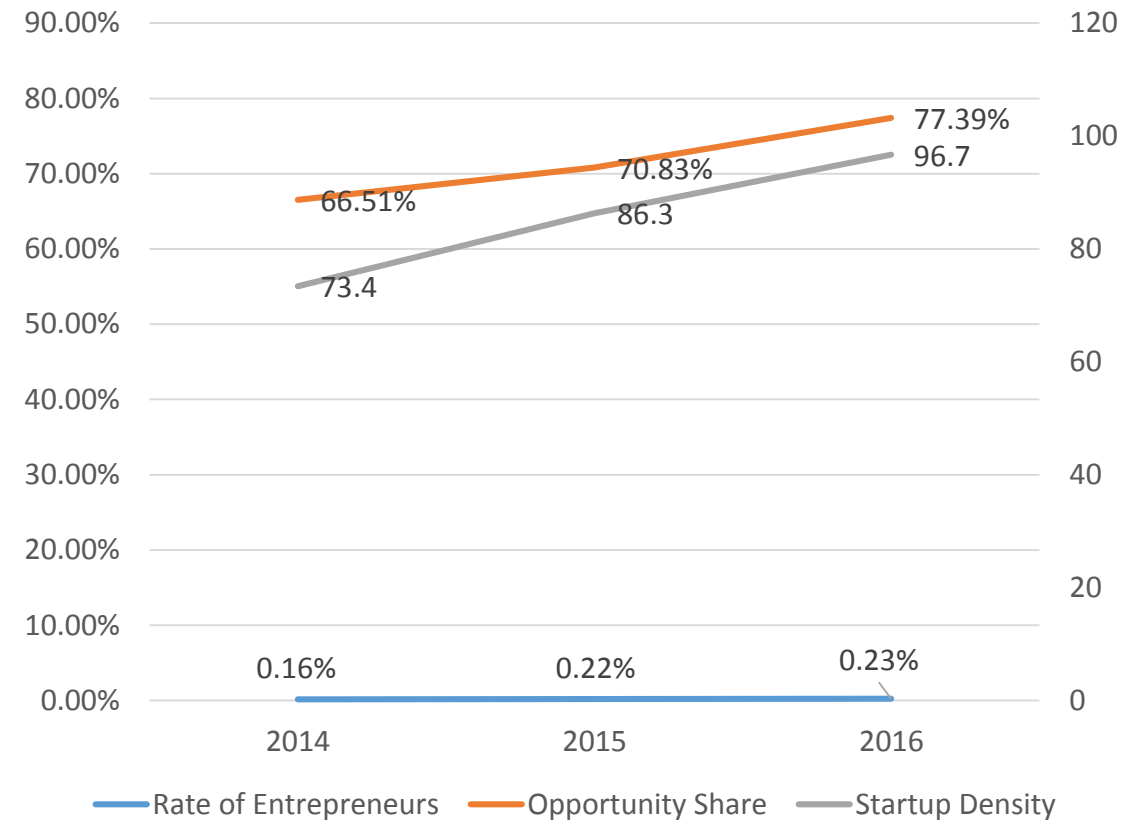


Labor flows represent the ease with which employees can move between sectors of the economy. Tight, well connected networks ensure efficient reallocation of labor across sectors.

Source: Census job-to-job flows at <https://i2explorer.ces.census.gov/> for Nevada and Nebraska for 2016-Q1 2017. The natural logarithm was taken of all data to reduce the impact of population differences between states. Graphs were built using Stata version 14 nwplot function with multidimensional scaling for the placement of nodes for shortest distance. The edge width represents the volume of employee flows between sectors. Measures were dropped for Utilities and Mining due to very few data points.

Case Study: St Louis

- St Louis was not without entrepreneurial activity in the past
 - It existed in **disconnected pockets**
- These pockets inhibited “**entrepreneurial genealogy**” – when successful entrepreneurs mentor and fund the next generation
- It’s faddish in economic development circles today to talk about **collisions**. If you create lots of bars and coffee shops and parks, serendipitous unexpected connections will occur: The strategy is premised on **people running into each other**.
- St Louis **intentionally and deliberately built connections and networks**.
- RoverTown example:
 - Arch Grant 2013
 - Moves to nonprofit co-working space
 - Accelerator program
 - Mock Angel program
 - Secures \$1,000,000 in venture capital funding
 - Named fastest-growing tech startup in St Louis

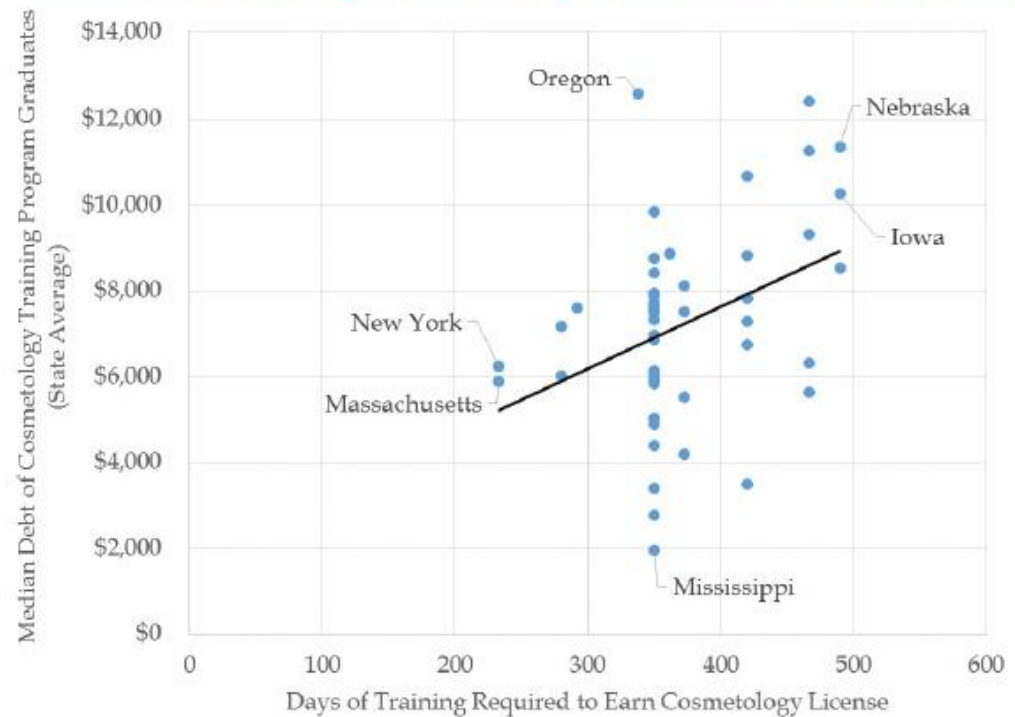


St Louis Post Dispatch June 10, 2016 *How did St. Louis become an Entrepreneurial Boomtown?* by Dane Stangler and Colin Tomkins-Bergh http://www.stltoday.com/business/local/how-did-st-louis-become-an-entrepreneurial-boomtown/article_c40240aa-9f49-5fd9-83bf-db7228bcbfd2.html Data from Kauffman Index

Possible Barriers to ENT

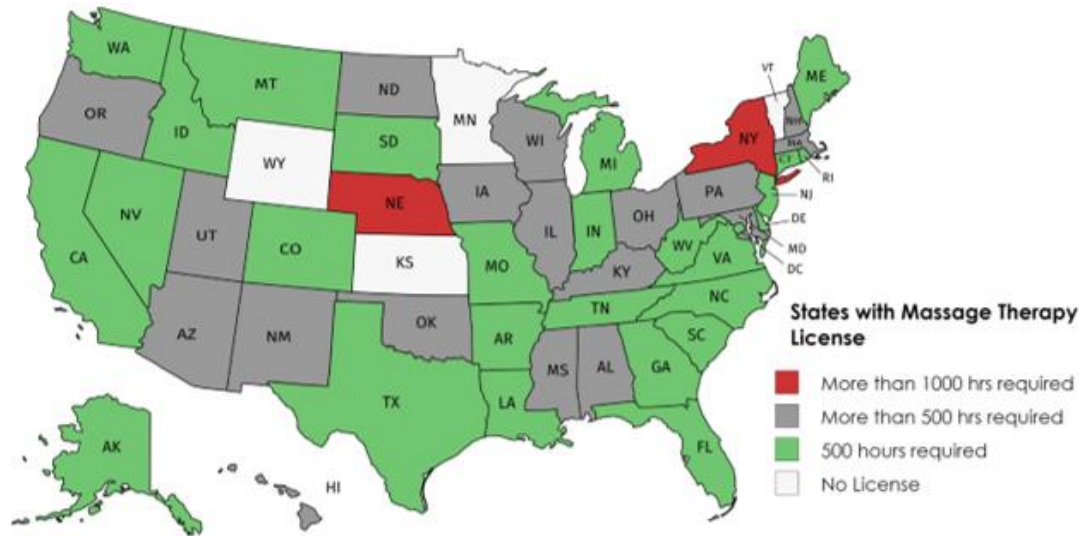


FIGURE 4: Cosmetologists' Training Requirements Versus Debt



Source: The Platte Institute at <http://www.platteinstitute.org/research/detail/strong-jobs-nebraska-the-2017-occupational-licensing-review>

Massage Therapist Licensing Requirements



State	Fee	Education	CEUs	Year law Enacted
Nebraska	\$110	1000 hours	24	1958
Colorado	\$90	500 hours	none	2008
Iowa	\$120	600 hours	24	1992
Kansas	-	-	-	-
Missouri	\$200	500 hours	12	1998
South Dakota	\$120	500 hours	8	2005
Wyoming	-	-	-	-

Source: The Platte Institute at <http://www.platteinstitute.org/research/detail/strong-jobs-nebraska-the-2017-occupational-licensing-review>

Opportunities and Challenges

- Opportunities
 - Creating and strengthening networks across sectors
 - Leveraging existing approaches to revisit regulation that inhibits creative destruction
 - Recognizing that resources must be freed to be reallocated
- Challenges
 - Geographic distance
 - Lower population
 - Infrastructure

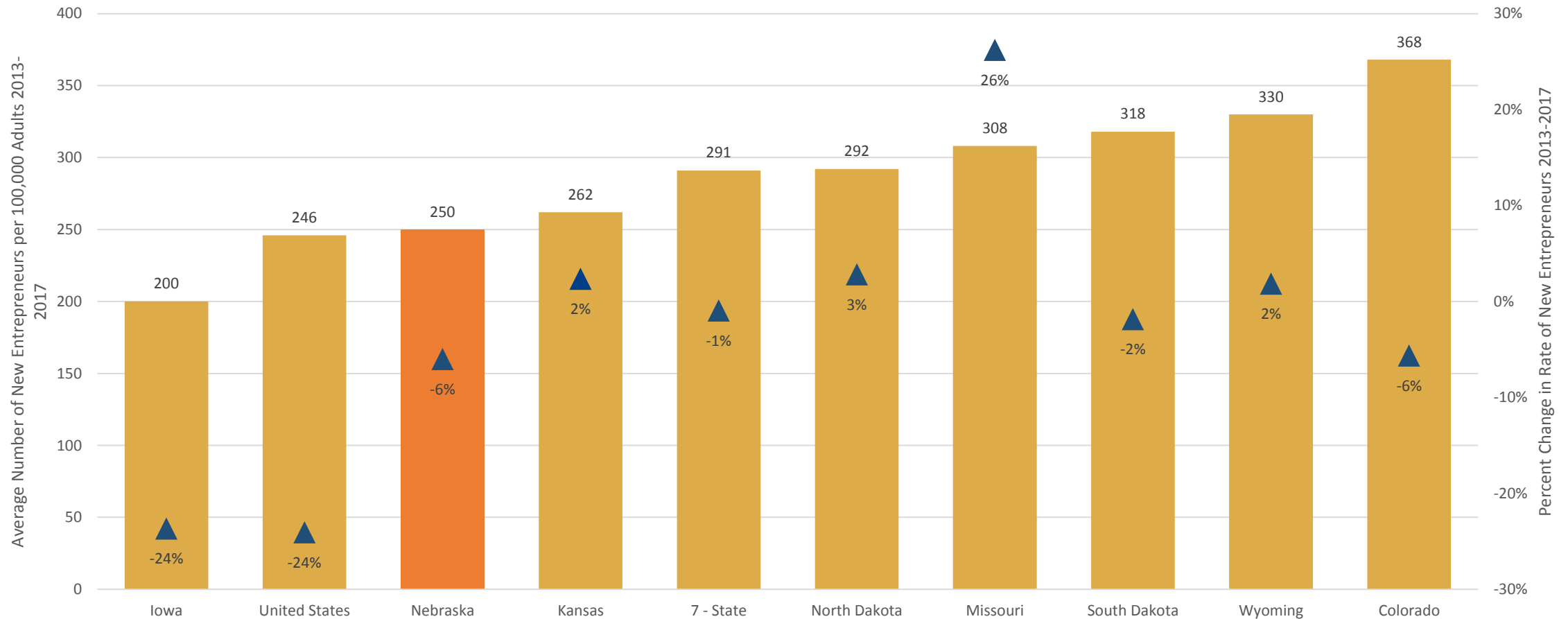
Summary

- **Nebraska Economy**
 - Weak, driven by Manufacturing and Agriculture
 - Net farm income forecast indicates signs of stability
- **Tri-City Area Employment**
 - Sluggish employment growth in Top 3 industries
 - Composition of workers by education level has shifted
 - Employment growth driven by workers with less than a high school degree
- **Entrepreneurship**
 - Declining start-up rates
 - Increased concentration among major economic sectors indicating less competition (except Health Care)
 - Opportunity to increase cross-sector labor flows
 - Opportunity to reconsider regulatory basis to enhance new venturing

■ Questions?

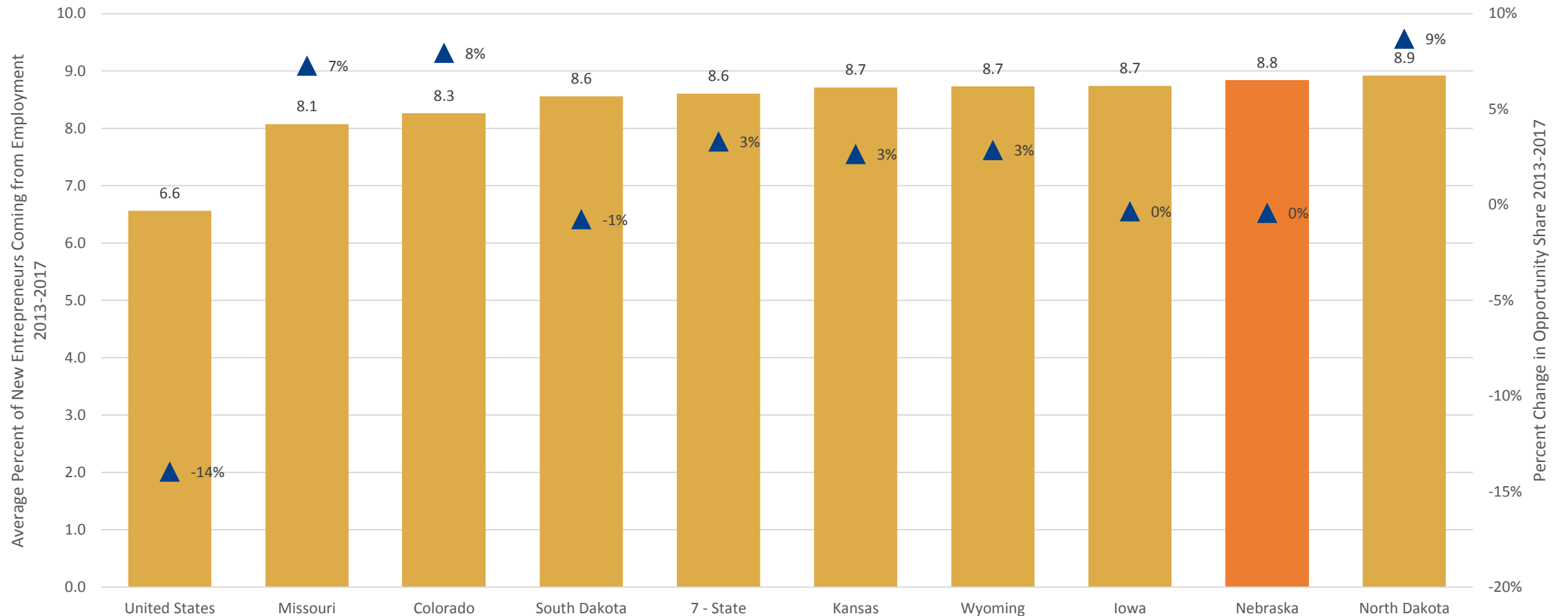


Number of New Entrepreneurs per 100,000 Adults



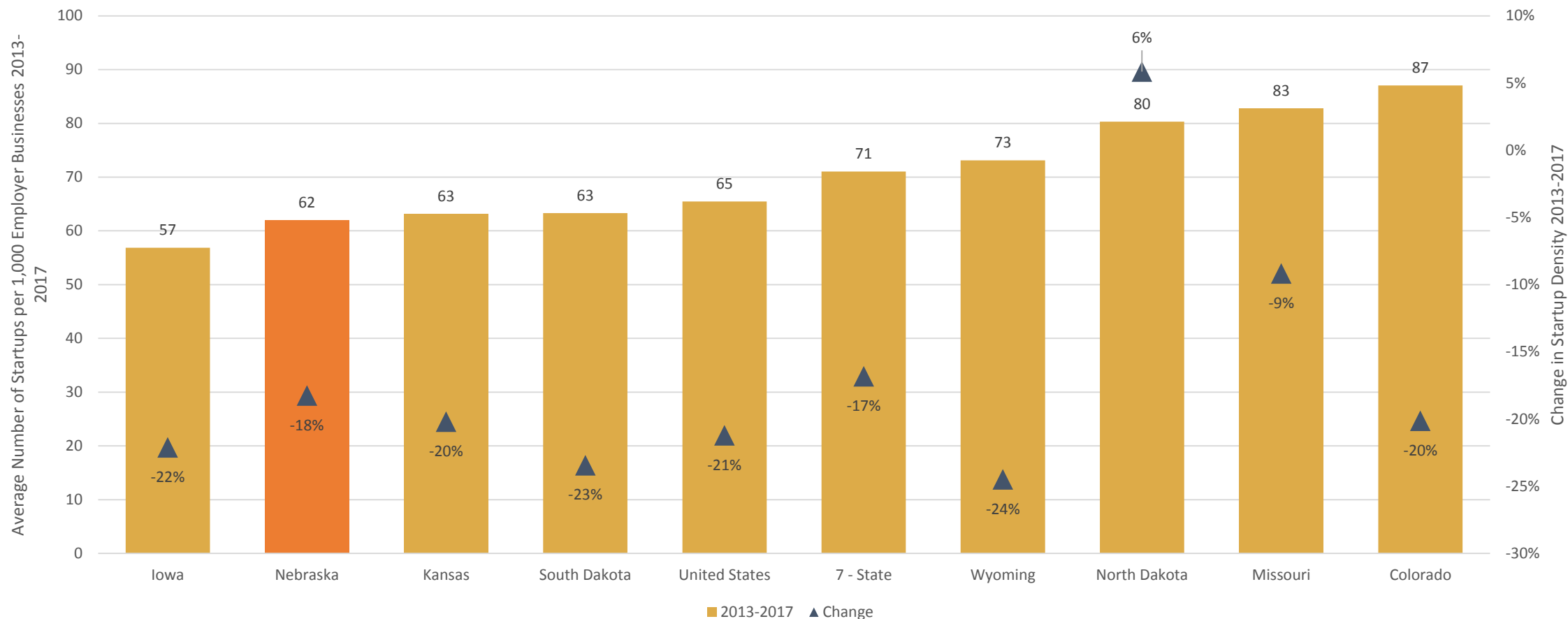
The Rate of New Entrepreneurs in the economy, calculated as the percentage of adults becoming entrepreneurs in a given month the change represents the percentage change in the number of entrepreneurs comparing 2013 and 2017. <http://www.kauffman.org/kauffman-index/reporting/startup-activity>

Opportunity Share: % of Entrepreneurs Coming from Employment



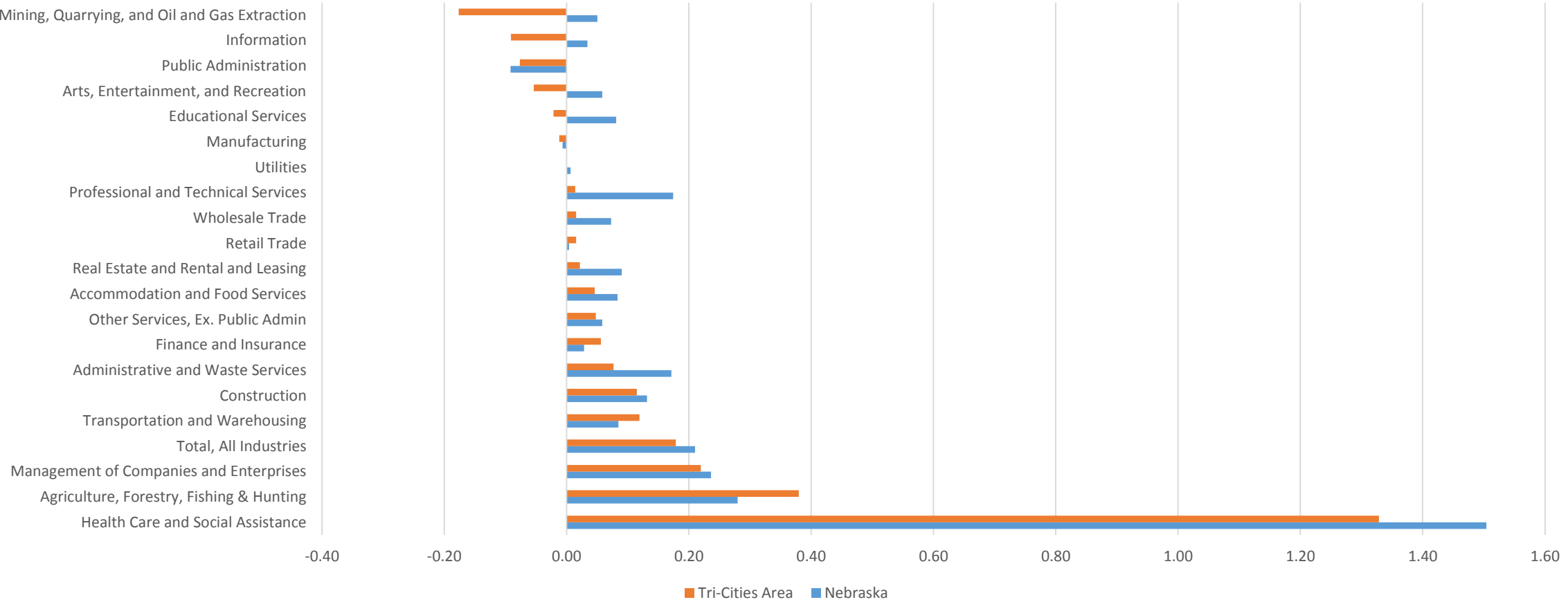
Serves as a proxy indicator of the percent of new entrepreneurs starting businesses because they saw market opportunities. Measures the percentage of new entrepreneurs who were not unemployed before starting their businesses (e.g., new entrepreneurs who were previously working for another organization or in school). Acts as a broad proxy for business growth prospects. Entrepreneurs who were previously unemployed may be acting out of necessity and, therefore, may be more likely to start businesses with lower growth potential. <http://www.kauffman.org/kauffman-index/reporting/startup-activity>

Startup Density New Firms per 1,000 Employer Firms



Estimates the number of startup firms by total employer population. Measures the number of new employer startup businesses normalized by the employer firm population of an area. Because companies captured by this indicator have employees, they tend to be at a more advanced stage than are the companies in the rate of new entrepreneurs measure. Defines startup businesses as employer firms less than one year old that employ at least one person besides the owner. This measure includes all industries. Uses data based on the U.S. Census's Business Dynamics Statistics. <http://www.kauffman.org/kauffman-index/reporting/startup-activity>

Percent Change in Establishment Count 2011-2016



Source: Bureau of Labor Statistics comparing employer based businesses from 2011-2016