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Not All Jobs Are Created Equal

Milwaukeeans without post-secondary education have four main employment options:

- Low-wage, non export-oriented retail jobs
- Other low- and moderate-wage non-export oriented service jobs (home health care aids, gardeners, etc.)
- Low-wage, export-oriented service jobs (e.g. call centers)
- Moderate-wage, export-oriented manufacturing jobs

“Export-oriented jobs” are defined as those that bring in new money from outside the region.

“Non export-oriented” jobs are those that merely redistribute income within the region—for example, from one restaurant to another.

The proportion of Milwaukeeans employed in these sectors will have profound consequences on the region’s economic well-being. The disparity in economic benefits derived from employment in these sectors arises from differences in pay, benefits, job density and secondary employment generation.

Retail Jobs: Zero-Growth

An economy increasingly dependent on retail employment is a no-growth economy suffering from increased income inequality, continually high unemployment, and increased reliance on public assistance.

The benefits the City receives from new retail development include:

- Increased property tax collections
- Revenue from the sale of the land/buildings
- A minor redistribution of income towards low-income residents *if and only if* new retail development is aimed at keeping inner city residents’ retail dollars in their community (in establishments owned, managed, and staffed by inner city residents) vs. residents spending retail dollars at suburban locations (in establishments owned, managed, and staffed by suburbanites)

The disadvantages of reliance on retail development include:

- Zero regional growth in employment. Money spent at one retail establishment is money not spent at another retail establishment. New jobs at new retail establishments are fully offset by lay-offs at establishments losing customers.
- Zero growth in regional economic output. See rationale above.
- Increasing poverty, decreasing median incomes, increasing reliance on public assistance (W2, food stamps, Medicaid, Section 8 housing), and increasing stress on public services (more visits to hospital emergency rooms,

Non Export-Oriented Service Jobs: Demographics—not an Economic Development Strategy to Drive Growth

This paper does not focus on non-export oriented service jobs because there is little role for local economic development organizations. However, this sector represents an important part of the employment outlook for relatively unskilled adults.

While these jobs do not bring new money into the region, and therefore do not contribute to an overall increase in jobs or regional wealth, the number of jobs will increase in certain sub-sectors. For example, the number employed in healthcare is likely to increase as the population ages and requires greater health care. Similarly, construction employment will likely increase at times; again, this growth is tied to the business climate, trends in residential construction and renovation, and interest rates, not a concerted economic development effort to attract and retain such firms. However, a comprehensive economic development strategy to attract new businesses will indirectly result in employment increases in this sector as new manufacturers hire workers to construct new factories or renovate existing mothballed properties.

Export-Oriented Service Jobs

An analysis of a call center provides an excellent overview of the benefits and limitations of export-oriented service jobs.

The benefits the City receives from export-oriented service sector growth include:

- Increased property tax collections
- Revenue from the sale of the land/buildings
- Net employment generation. Unlike retail employers, export-oriented service employers in the Milwaukee area generally do not compete for each other's business (instead they are competing with call centers in India, Tennessee, etc.) and therefore employment is not a zero-sum game.
- Net regional wealth creation. Same rationale as above.
- Reductions in per capita public assistance, although the actual number receiving assistance is likely to remain fairly constant. While average wages in this sector are similar to retail, and therefore most employees will require some form of public assistance, many of these positions could be filled by those currently unemployed. These workers will require less public assistance to subsidize their small salaries than they currently do as persons with zero income.
- High on-site job density per acre. A comparable call center in inner city Kansas City employed 80 individuals in a pre-existing 6,000 sq. ft. facility.
- The revitalization of abandoned storefronts in blighted neighborhoods. Call centers in Kansas City and other poor neighborhoods have been set up in abandoned storefronts and low-cost locations and therefore do not require valuable industrial-zoned property.

The disadvantages of reliance on export-oriented service jobs include:

- Little or no amelioration of poverty. According to the 2002 Call Center Agent Wage and Benefit Survey, average wages were \$8.00/hour at U.S. call centers, and only 29% of employees received company health benefits.

Export-Oriented Manufacturing Jobs: The Growth-with-Equity Model

An economy increasingly dependent on export-oriented manufacturing employment is a high-growth economy with declining levels of unemployment, poverty, public assistance, and income inequality, and increasing median incomes and standards of living.

The benefits the City receives from export-oriented manufacturing sector growth include:

- Increased property tax collections
- Revenue from the sale of the land/buildings
- Net employment generation. Unlike retail employers, export-oriented manufacturing employers in the Milwaukee area generally do not compete for each other's business (instead they are competing with manufacturers in other states and other nations) and therefore employment is not a zero-sum game.
- Net regional wealth creation. Same rationale as above.
- Very significant secondary employment generation. Each manufacturing job *new to the region* (jobs shifted from West Allis to Milwaukee do not count, for example) **creates 2-5 additional support jobs** at firms in the region that supply those firms, while each net new service job creates just 0.5 additional support jobs.
- Reductions in poverty, public assistance, visits to area emergency rooms, and income inequality due to relatively high pay and generous benefits. Manufacturing workers receive, on average, \$32,000-\$36,000 per year, more than twice the average retail salary. Most are eligible to receive health benefits. Exhibit A (attached) shows the relationship between manufacturing employment, reliance on public assistance, poverty, and median neighborhood income. Inner city neighborhoods on Milwaukee's south side, which were more dependent on manufacturing employment, fared far better on these indicators than did inner city neighborhoods on Milwaukee's north side, which were more dependent on low-wage retail and service jobs.
- Increased income leads to job creation in the retail sector, which without this injection of new community wealth, would be stagnant. The economic development consulting firm Blane Canada Ltd. estimates that, on average, **100 new manufacturing jobs result in an additional \$5.3 million in retail expenditures.**

The main drawback to manufacturing has traditionally been the strain that it can place on the environment and natural resources. However, a careful targeting of industries, coupled with design guidelines emphasizing green building techniques and stringent DNR permitting rules, should effectively attenuate these concerns.

These Strategies Are Not Mutually Exclusive...

Each of these sectors plays a role in Milwaukee's future economic development. The focus must be on manufacturing due its superior wages, employee health benefits, and secondary employment generation. Milwaukee must resist the temptation to re-zone what little industrial land it has left (see Exhibit B)—the availability of land for industrial expansion is crucial for the City's future.

An important secondary focus should be the attraction of export-oriented service jobs to Milwaukee's inner city. Existing buildings—mothballed warehouses and abandoned storefronts—should be marketed to potential export-oriented service firms at attractive prices,

and with financially attractive options for rehabbing these properties, wiring them for back office functions, and training a low-skilled workforce. Staff at Milwaukee's job training centers will be important partners in this process.

Finally, retail development can play an important support role in this export-oriented strategy. As more workers leave unemployment to work in manufacturing or back office functions, these workers will have more discretionary income to spend at retail establishments. The City can encourage these workers to spend their retail dollars in their own community by providing safe, attractive, convenient local retail centers owned and managed by area residents. Many of these businesses will require low-interest loans, as well as free or low-cost consulting services.

