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Education to build the economy

By Judy Owens

Manufacturing jobs have long anchored the Owensboro-Daviess County economy. As the nation relies more heavily on knowledge-based jobs, however, some community leaders say that innovation and education are more important for future economic vitality than rail and river.

But will focusing on education force a tradeoff, taking time and attention away from attracting employers who could be hiring existing workers? Is Owensboro going too far out on a limb, handing over its economic development efforts to a former educator, or is it poised at the leading edge?

Here's a look at some of the issues surrounding local economic development priorities.

Owensboro's manufacturing legacy

The Ohio River, good roads and willing workers in the post-World War II era were the assets that changed Owensboro from a western Kentucky farm town into a company city for General Electric. Through the 1960s, GE dominated the job market in Owensboro with its television tube factory. At its peak in 1966, more than 6,000 of Owensboro's 48,000 people worked for GE. When the transistor replaced the television tube, the ranks of GE dwindled significantly. Now a GE small motors plant employs 126 workers.

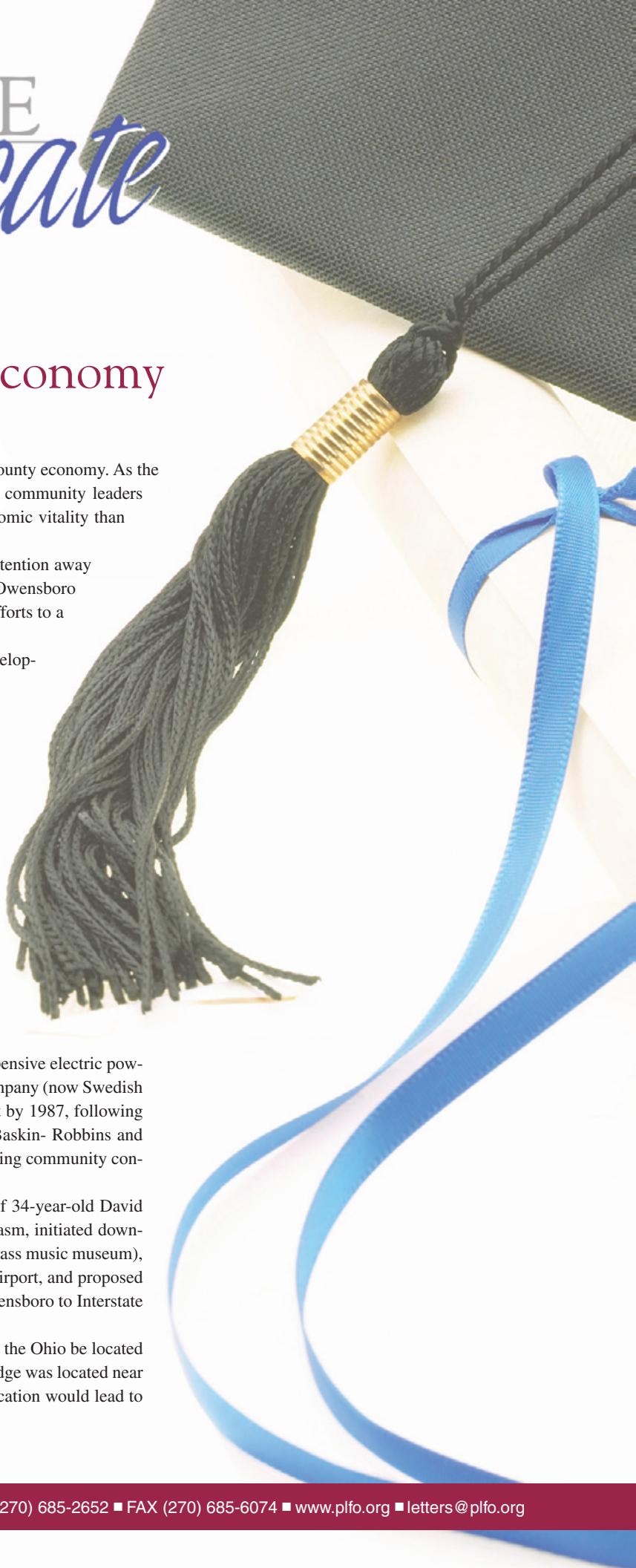
Industrial parks, roads and bridges

After the cutbacks at GE, community leaders stepped up recruitment of manufacturers.

Focusing on attracting large employers, Owensboro embarked on a strategy that involved large, well appointed industrial parks, inexpensive electric power, spec buildings and tax offsets. This attracted Pinkerton Tobacco Company (now Swedish Match), Ragu (now owned by Unilever) and other manufacturers. But by 1987, following several plant closings (Green River Steel, North American Phillips, Baskin-Robbins and others), Owensboro's unemployment rate climbed to 13 percent, affecting community confidence and morale.

To a great extent, this crisis was the impetus behind the election of 34-year-old David Adkisson as mayor of Owensboro. Adkisson offered youthful enthusiasm, initiated downtown improvements (including a new performing arts center and bluegrass music museum), developed the MidAmerica Airpark industrial park contiguous to the airport, and proposed the "Maceo strategy" for a new bridge and connector roads to link Owensboro to Interstate 64 in Indiana.

Conventional wisdom would have dictated that a new bridge across the Ohio be located downtown or as an extension of the U.S. 60 bypass. But instead the bridge was located near Maceo, about 10 miles east of Owensboro. The theory was that the location would lead to



the construction of a connector road to I-64 in Indiana. The new bridge and first phase of the connector road, on the Kentucky side, have been completed. The Indiana connector to I-64 is under construction.

Continued success with Scott, Toyotetsu

Owensboro still waits for an interstate highway to brush against its city limits, although efforts are underway to upgrade the Audubon and Natcher parkways to interstate standards. The air transportation hub that gave the Airpark its name never quite materialized. Yet the Maceo strategy and the Airpark can claim success.

Adkisson led an unprecedented effort in 1995 to land a modern tissue paper plant proposed by Scott Paper Company (now Kimberly Clark) for western Daviess County. Described by the company as a prototype new-age manufacturer, Scott touted its ability to pair low-cost production with high quality. The business was also “green” in that it used post-consumer waste paper, mainly recycled from offices and businesses.

Scott impressed local leaders with its transparent participation in an environmental assessment of the proposed plant. The public responded with a remarkable display of support through bumper stickers, storefront posters, messages on business marquees and more, culminating in a rally on the riverfront.

A second development in 2001 solidified Owensboro’s claim to a newer and more competitive manufacturing. Toyotetsu America Inc., Owensboro’s first major Japanese company, announced plans to build a \$12 million automotive parts facility at the Airpark. Named Toyotetsu MidAmerica, the company initially employed 120 people to manufacture automobile parts. By 2005 Toyotetsu Mid-America was one of Owensboro’s largest employers with more than 600 workers.

And even though other major Owensboro employers endured restructuring, buyouts and takeovers, companies such as Ragu, Pinkerton Tobacco, and Texas Gas Transmission all survived and continue to provide jobs in Owensboro.

Other manufacturing continued to develop on a smaller scale. The old GE plant downtown was retrofitted by MPD and now produces products for the law enforcement industry, including breathalyzers and radar guns.

Company expansions have also allowed Owensboro to grow from within. Premium Allied Tool, Owensboro Grain, Titan Fabricating, South ern Star Pipeline and Wax Works are examples.

The formula for luring new manufacturers seems to have succeeded. While manufacturing employment went off-shore and manufacturing employment is down nationwide, more than 6,900 individuals were employed in manufacturing in Daviess County in 2000. While American industrial jobs were collapsing, Owensboro and Daviess County managed to retain 96 percent of its jobs in manufacturing the same year.

Jobs of the future – innovation and education

With success in retaining a strong manufacturing sector, some would argue that Owensboro and Daviess County should continue with that strategy.

Not so, said Daviess Judge-Executive Reid Haire.

“If you’re going to raise the standard of living, the key is through education,” Haire said. He acknowledges the political pressure to create jobs at any price.

“You can pander to the electorate and deliver \$7 and \$8 an hour jobs, but you’ve got to be able to look yourself in the mirror. Realistically, how can a family get by on that?”

Economic development specialists report that industrial prospects used to ask about the cost of land and labor, taxes, utility rates and incentives. Those items are still important, but now prospects are also concerned about the education level of a workforce, said Mike Mangeot, President of the Kentucky Association for Economic Development.

“I would never tell someone that we need to back away from industrial recruitment,” he said. But so long as manufacturers are competing in a global market, companies will look for ways to cut costs and move offshore.

“Could Owensboro attract a Toyota? Absolutely,” Mangeot said. “Is that the best use of all their available resources? That’s a question for community leaders, because current thinking is that for long-term stability Kentucky’s people need better education, whether that means graduating from high school with solid math and reading skills, or getting a college education.”

So Haire is taking the long view and trying to increase the education level.

Owensboro has a higher high school graduation rate than the national average. With the growth of Owensboro Community & Technical College, the rate of two-year college degrees also exceeds the national average.

But when it comes to bachelor’s degrees and beyond, Owensboro’s two small private colleges produce about 250 graduates a year, compared with a whopping 2,500 by Western Kentucky University in Bowling Green. Officials conclude that this disparity in educational attainment, along with Bowling Green’s location along I-65, have been key factors in Warren County’s impressive growth. In the last six years, the Owensboro metropolitan area grew by 2,218 people. In the same period, the Bowling Green metropolitan area grew by 9,154, more than four times as fast.

“We are the largest city in Kentucky without a four-year university and we have the lowest number of adults with bachelor’s degrees,” Haire said.

Access to higher education is one barrier, but attitudes are another.

Owensboro mayor Tom Watson, an entrepreneur himself, believes that



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Owensboro's leaders must push for a shift in the fundamental community expectations about work.

"When manufacturing was the big deal, people graduated from high school and went to work at Green River Steel, Texas Gas or GE. And they stayed at that same job until they retired," Watson said. "That's just part of the culture here, not that parents pass that idea along to their children."

Higher skills, higher wages

Studies have shown that educational attainment explains between 60 and 70 percent of the difference between successful, skilled communities and those that are not. For instance human capital, as measured by educational attainment, was the primary factor related to differences in income growth among counties in Indiana in a January 2007 study of the state's rural communities.

In addition, wages for highly skilled workers continue to grow at a faster rate than other wages, according to a 2005 Harvard study. And better jobs are created by highly skilled people who live and work around other skilled people.

Furthermore, the greatest predictor of economic growth since the 1930s has been innovation, which is measured by the number of patents formed, and education, which is measured by the number of bachelor's degrees, according to a study by the U.S. Federal Reserve.

The education option

Nick Brake, president and chief executive officer of the Greater Owensboro Economic Development Corp., is one of two chief economic development directors in Kentucky who holds a Ph.D. (the other is Peggy Sharon of Woodford County). His professional life has been primarily that of an educator: he taught high school history and humanities at Daviess County High School in the 1990s and was a faculty member at Owensboro Community & Technical College. His Ph.D. is in educational leadership and policy from the University of Louisville, but he also holds a bachelor's and a master's in history.

"One of the reasons I was hired was that we had been doing industrial incentives for economic development," Brake said. "We were attracting industries willing to make a large capital investment using cost reduction and tax mitigation strategies, and we recruited semi-skilled labor for large employers. But that's not where the future is."

If Brake's background is unusual in Kentucky, however, the approach he describes is not: The top economic development priority of the Kentucky Chamber of Commerce in 2007 is to "promote education and workforce development." And the chamber's top policy priority overall is to "strengthen educational standards through community involvement and quality teaching."

Indeed, the Kentucky chamber's current president is the former Owensboro mayor, Dave Adkisson, who was focused on manufacturing in Daviess County 20 years ago. But things have changed since then. According to the state chamber's 2007 "business agenda," "Kentucky's economic well-being is inextricably linked to the education and skills of its citizens. The relationship between educational excellence and economic growth is more critical today than it has ever been. In our modern economy, competition comes from nations on the other side of the world, not just from our neighboring states."

The China syndrome

Things started changing in the 1990s as manufacturing jobs shifted to Mexico, China, Malaysia and Russia. Even with the cost of shipping and the difficulties posed by training, language and cultural barriers, American manufacturers found making goods overseas to be cheaper.

"That's when we had to take a look at a different strategy to attract economic growth," Brake said. City leaders agreed that to remain competitive, Owensboro would have to focus on education as an economic development tool.



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Nick Brake
President & CEO, Greater Owensboro Economic Development Corp.

to our future economy as a Scott Paper plant was to the early 1990s.

And for technology transfer, the University of Louisville has used Kentucky BioProcessing LLC (now a subsidiary of Owensboro Medical Health System) to conduct research using tobacco derivatives as a potential cancer treatment. Research by the University of Kentucky using soy and tobacco as the basis for flavor compounds also has potential as a future manufacturer.

Richard Florida and the creative class

In addition to raising education levels, some national experts believe that communities must also cultivate a creative class and focus on liv-

ability to thrive.

This idea, made popular by Richard Florida's best selling book, "The Rise of the Creative Class," holds that the cities with the highest level of economic development have a high concentration of the "creative class" which includes high tech workers, entrepreneurs, artists and musicians.

Brake, Owensboro's economic developer, is well-acquainted with Florida's work and feels much of the city's future lies in developing a creative class in Owensboro.

Owensboro's creative class

The notion of cultivating creative people is not new in Owensboro. For a city its size, Owensboro offers amenities that are attractive to the creative class, such as the Owensboro Symphony and performances of Broadway shows and other cultural offerings at the RiverPark Center. The Riverfront Master Plan will create an Ohio River centerpiece for downtown living and entertainment. And the completion of David C. Adkisson Greenbelt Park will provide 15 miles of green space for walking, running and biking.

The bottom line

Owensboro and Daviess County's strategy to raise the educational level of its community as a key economic driver is consistent with current state and national thinking on this topic. While no one recommends that the community abandon its efforts to recruit and retain factories, these jobs are not expected to provide the stability that some came to expect in earlier generations. Although competing in a knowledge-based economy is considered desirable, as a practical matter Owensboro faces challenges in achieving that goal because of the absence of a public university to increase the number of college graduates and to provide research that drives innovation. ■

Share your views at letters@plfo.org.

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A former reporter for the Messenger-Inquirer, Judy Owens is a lawyer, journalist and writer. Mrs. Owens is a graduate of the University of Kentucky and the UK College of Law. She has written extensively about economics, health, education, and social services. Her creative non-fiction has been recognized by the Kentucky Foundation for Women. She currently is a candidate for a Master of Fine Arts in Creative Writing from Murray State University.

QUESTIONS FOR COMMUNITY DIALOGUE

Will this education strategy work, or should Owensboro-Daviess County leaders refocus and redirect more resources toward industrial recruitment and local plant expansions?

If there is value in all these approaches, how do we balance recruitment, expansion and workforce education?

Will we lose out to other communities that are putting more resources into recruiting?

Is our primary problem that we do not raise enough money for economic development in Owensboro-Daviess County?

Do we have land and infrastructure for a major industry, such as an automobile manufacturing facility like Toyota? If not, should this not be a priority?

Is the Kentucky Commerce Cabinet the gateway to business and industry prospects? If so, how well positioned are we to get our fair share of referrals over the influential Golden Triangle?

Are we exercising the necessary leverage to expedite the completion of the connector to I-64 in Indiana?

Do the community amenities that will attract the entrepreneurs and high tech "creative class" require a major market or a major university? If so, are we kidding ourselves about being appealing to this constituency? Should this be our emphasis?

If education is key to our economic future, should not more of our resources be directed toward instilling a stronger cultural value of education and lifelong learning?

Some say that the problem is not getting students to enroll in college, but for them to complete the coursework successfully. Too many students are not prepared for college work and need remedial assistance. If that is the case, what can be done about it?

Should we approach downtown development/investment as economic development so that developers and property owners can benefit from land and parking assistance, low-interest and guaranteed loans, design services, and other incentives?

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