Inner-City Milwaukee Businesses: An Assessment of Conditions

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Forward
by
Secretary Roberta Gassman
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Wisconsin is an extraordinary state. While known for its natural beauty, abundant wildlife, and agricultural economy, Wisconsin is also known for its modern, urban communities that provide economic, financial, and cultural growth. While each region of the state offers unique qualities, the city of Milwaukee has had both economic successes and challenges, generating significant revenues for the state while simultaneously drawing upon the largest share of public resources for low-income families. Governor Jim Doyle and the Department of Workforce Development (DWD) have made the Milwaukee region a workforce development priority, supporting strategies that develop and train job seekers for skilled work and supportive wages – ultimately matching high-wage/high-growth employers to qualified workers.

To that end, DWD and workforce development stakeholders have provided resources for gaining a better understanding of the issues facing Milwaukee's inner-city businesses. In 2005, the Council on Workforce Investment initiated a study resulting in *The Milwaukee Workforce Development Landscape Report* (January 2006), providing an overall understanding of inner-city Milwaukee employers and their connection to workforce resources. Following that report, DWD commissioned this second study, *Inner-City Milwaukee Businesses: An Assessment of Conditions*, to gain additional insight for strategic planning efforts.

The good news is that there are positive conclusions in both reports, including the respondents' characterization of Wisconsin's workers as "dependable," "professional," and "hard working" (90% of workers). Plus, inner-city businesses employ as much as 95% of their workforce from the inner-city, supporting local growth. These two points are important, and are key components to the future stability of the Milwaukee workforce system. It is our goal at DWD to aggressively address the issues identified in each of these reports, and build upon the collective enthusiasm of employers, workers, and workforce development stakeholders to ensure a sustainable, competitive, quality workforce.

Executive Summary

The Initiative for a Competitive Milwaukee (ICM), a multi-year effort within the Greater Milwaukee Committee that is dedicated to finding solutions that improve the business conditions in Milwaukee's inner city, with support from the Wisconsin Department of Workforce Development commissioned this study of employers in the inner city of Milwaukee to learn more about the health of these firms, the advantages and disadvantages they have, their workforce experiences, their assessments of the business climate, and their interest in various types of actions others might take to assist them in being more successful. This report reveals the findings of this study, undertaken in the first half of 2007.

The study focused on the geographic area defined by 11 ZIP codes that are commonly referred to as Milwaukee's inner city (see map page 10) and are the areas of greatest poverty in the city. The areas are immediately adjacent to the downtown on the south, west, and north sides. Some 81 firms from a range of industries agreed to participate in the study. The intent was to concentrate on what the Milwaukee 7 refers to as regional income producers, industries such as manufacturing, construction, wholesale trade and specific services that bring new dollars into the local economy from sales outside the region. The interviews targeted firms with at least 20 employees.

The firms interviewed had the following characteristics:

- 45% were in manufacturing
- 43% had multiple sites compared to 63% of manufacturers in the Milwaukee 7 2006 study of 177 manufacturers in the region
- 85% were headquarters v. 64% among 2006 manufacturers
- 50% of purchases were in the region v. 29% among regional manufacturers
- Average employment size at interview site was 94 v. 210 for regional manufacturers
- Occupational mix: 37% unskilled and 31% skilled v. 33% for both among regional manufacturers
- Average wage/hour: unskilled - $10.38; skilled - $17.43
- Founded since 1990: 23% v. 13% among 2006 manufacturers

Key Findings

1. In spite of local, regional and global challenges, the firms located in inner-city Milwaukee are relatively healthy:

    - 53% increased sales over the past three years; few declined
    - 53% are more or significantly more profitable than 3 years ago
    - 63% expect more or significantly more profits over the next 3 years
    - Employment has been growing: 42% grew in last 12 months; 49% expect to add significantly more employees over the next 12 months

- Significant growth is also expected in capital expenditure (47%) and space (26%) over the next 12 months
- Firms located in these ZIP codes report they have less trouble finding both skilled and unskilled workers than manufacturing employers spread over the seven counties

2. The inner-city location is only mildly challenging in comparison to regional, national, and global trends. Several factors are challenging:
   - Some 27% of employers said finding workers they need is the top challenge
   - Costs (such as health care, taxes, wages) of doing business are the next largest challenge - 18%
   - Crime in the neighborhood is relatively modestly regarded as an issue – 8% of responses to challenges cited crime

3. In terms of factors inhibiting future firm growth, two factors stand out:
   - 35% of firms claimed that generating demand for product/service is the largest inhibitor to future growth
   - 17% of employers cited workforce quality or availability
     - On a related direct question with regard to most critical workforce challenges over the next three years, 75% of the responses were on the theme of worker shortages.

4. Employers are split on their assessment of the current workforce: 47% say the strong work ethic is the local workforce's greatest attribute at the same time 26% say the absence of a strong work ethic is the top workforce challenge. Employers of all sizes and industries made these assessments. The message: employers highly value a strong work ethic.

5. The vast majority of inner-city firms currently hire from the inner city, and more state they will hire from the inner city, as business conditions permit.

6. Inner-city employers rate the quality of the business climate of the region at 3.01, right in the middle of a five-point scale. Of 14 factors that compose the regional business climate, the top five are quite to very important to employers. Unfortunately, none of these are top rated in terms of quality, and one (health care costs) has the lowest rank.

Aspects of Business Climate	Importance		Rating	
Workforce Quality	4.56	(1)	3.30	(7)
Workforce Availability	4.37	(2)	3.18	(8)
Health Care Expense	4.25	(3)	2.05	(14)
K-12 Education	4.00	(4)	2.98	(9)
Technical Education	3.93	(5)	3.35	(4)

7. The business climate is seen by about half (49%) as having improved in the last three years, and 50% expect it to continue in the next three years. To sustain and increase employer satisfaction, it is vital that action is quickly taken to address the help they most often requested during the interview:

Topic for which Additional Information is Sought	Yes (%)
Workforce Training Options and Government Sponsored Programs	70
Workforce Retention Strategies	59
Selling to Governmental Entities	47
Meeting Immediate Technology Needs	44
Developing Formal Relationships with Other Local Firms	35

8. These inner-city businesses are strong contributors to the regional and state economies. On average, 50% of their supply purchases are made in the seven-county region and an additional 15% are made elsewhere in the state. On the other end, 65% of sales, on average, are within the region, suggesting that few are directly large regional income generators.

9. Recommendations for Actions

To succeed in making the inner-city an even more viable location option for employers and residents will require efforts in four key areas to:

- Work with local employers on workforce training and retention
- Increase inner-city land available for locations and expansions
- Meet other employer needs to help them succeed, such as assistance with Information Technology, Intellectual Property creation and protection, development of cooperative business relations, government sales, and exporting
- Market the fact that success is possible, even probable, in this setting

An effort must be made to detail what needs to be done to take worthwhile actions in the areas just noted. That discussion is currently underway.

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Background

The Initiative for a Competitive Milwaukee (ICM) is a multi-year effort overseen by the Greater Milwaukee Committee to improve business conditions in Milwaukee's inner city. To gain a better understanding of current employer conditions in that community, ICM applied for and was awarded a grant for this study from the Wisconsin Department of Workforce Development (DWD). DWD is also very interested in helping to address the many problems that exist in the city of Milwaukee in terms of its labor force and employment opportunities. DWD oversees the largest programs in the city (and county) that relate to connecting the unemployed and hard to employ with employers. DWD also has interest in worker retraining, the re-employment of dislocated workers, and youth preparation with WIA Youth and Youth Apprenticeships.

As part of these efforts to better match potential workers with employers, DWD commissioned ICM to learn more about the health and operations of those employers located closest to the largest pool of underemployed and unemployed in Wisconsin, those located in the inner city of Milwaukee. Fortunately, others share this interest and are also working to get a better understanding of the labor market dynamics and possible solutions to current challenges. Among those with the interest are the new Milwaukee Area Workforce Investment Board, now under the leadership of the City of Milwaukee, the regional economic development organization known as the Milwaukee 7, and the recently created Regional Workforce Alliance, an organization formed to address workforce issues on a seven-county regional basis.

The Milwaukee 7 is concurrently gaining insights into the views of businesses in the seven-county region. Since interviewing representatives of all types and locations of businesses would be too time-consuming and expensive, the Milwaukee 7 has concentrated on several subsets. Some of these are industry specific; others, geographically specific. Thus, the organization to date has studied manufacturing and biomedical industries region-wide and a variety of companies located in downtown Milwaukee.

ICM contracted with the Milwaukee 7 (through its staff at the Milwaukee Development Corporation) to add to the insights gained and to focus more attention on the very difficult issues in inner-city Milwaukee. This report covers the effort to gain the insights of businesses located in Milwaukee's inner-city, the eleven ZIP codes in the city of Milwaukee with a long history of business location and a large labor surplus.

One basic intention of the study is to learn the views of inner-city business leaders as to the advantages and disadvantages of their current location and businesses. The inner city has a reputation among many that it is not a good place for business. Yet there are literally hundreds of businesses located in this area. Many are flourishing. The issue is whether others can flourish there as well. The area does have access to low-skill labor. This has attracted some of the businesses and kept others there. Are there other advantages? Are there also challenges that need to be addressed to help existing and future businesses succeed in utilizing the inner-city workforce? Those are among the questions this effort sought to answer.

If the Milwaukee 7 region is to flourish, it must utilize all of its resources, including all of its human resources. The region cannot ignore a large population of potential workers nor large geographic areas. That is what is done today. The region must figure out how to address both issues. A place to start is with those who are operating businesses in these locations today to learn what must be done for these firms and the inner city to succeed.

As has already been stated, workforce questions are high on the list. There are very high rates of non-involvement in today's labor market by prime-age individuals, largely African-American males. Another issue is the perception potential workers, service providers, and customers have of the inner city and their respective desires to be involved in activities there. In addition, the area has experienced three decades of employment losses, attributable to very challenging recessions, increased competition, changing needs for interstate highway access and single-story production facilities, and changing retail patterns. Inner-city businesses face not only inner-city challenges but also they also face perceptions others have of their environment in addition to having to face the same issues that all businesses in the region face – doing business in the regional and global environments. Do these inner-city businesses see things any differently from those in the larger region or in specific industries? Do the inner-city businesses have special needs or special insights that can help move the inner city and the region to greater economic success? Those are among the questions this study is to address.

Methodology

As with the three previous CEO Call Programs, a target list of employers was initially assembled. In this case a series of ZIP codes were chosen to designate the inner city. Basically, the ZIP codes are located on the near north and south sides of the City of Milwaukee. Three different lists of possible target firms were used. One included firms nominated for the Inner City 100 list, a national competition for faster-growing firms. The second was a general list of employers in the inner city. The third list was from Dun & Bradstreet that included companies with 20 or more employees in "regional income producing" industries. These were defined as everything but retail, eating & drinking, social and educational services, government, and non-profits. So the key decision criteria for inclusion were location, size, and industry.

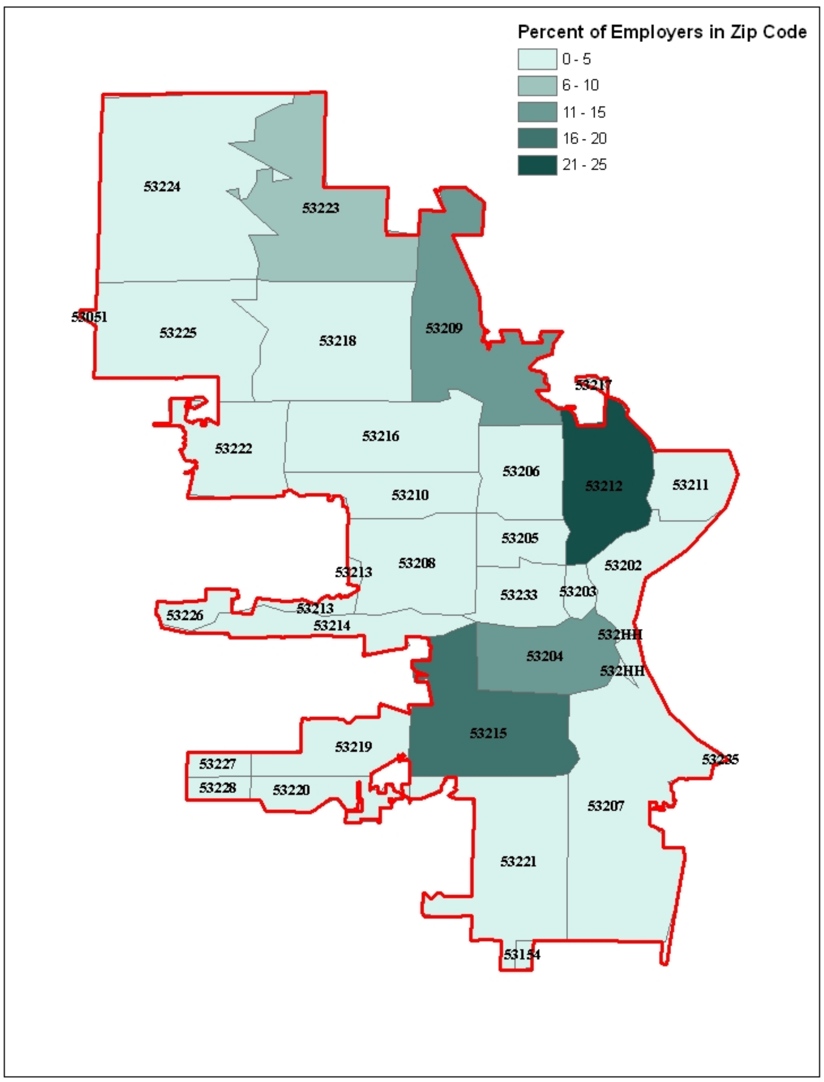
The CEO Call Program questionnaire used for the three preceding Milwaukee 7 employer studies is the basis for the interviews. But the survey was modified to ask several more questions about the workforce. This was done both to reflect the importance of this topic to employers and the region and to reflect the Wisconsin Department of Workforce Development (DWD) interest in this issue.

To conduct all of the interviews within a timely window, Cross Management was hired to undertake the interviews. The Milwaukee Development Corporation was hired to oversee the efforts, help create the potential employer-contact list, modify the questionnaire, and assist with data assembly. The UWM Center for Workforce Development was hired to assist in the questionnaire development, analyzing the results, and preparing the final report.

Target Companies

The initial list consisted of companies located in ZIP Codes in or near the inner city. Those that were successfully interviewed clustered in the ZIP codes listed in Map 1. The

Map 1 ZIP Codes and Distribution of Interviewed Employers



two largest concentrations were in 53212, basically north of downtown and west of the Milwaukee River, and 53215, the area on the south side from 6th Street to 43rd Street, Morgan to Beecher. These firms were chosen because of their location, their relative size (more than 20 employees), and their roles as potential economic drivers.

The firms were contacted with a letter from Mayor Barrett telling them of an upcoming phone call. The letter was followed by a telephone effort to the CEO in the attempt to set a time for an in-person interview. Those that agreed to participate were then mailed a pre-meeting questionnaire, consisting of 19 questions, to complete before the time of interview. The in-person interview consisted of 39 questions, which were to be asked of all respondents.

The completed data set now consists of information from 81 firms. That is not quite as high as was intended, but the number is large enough to lend confidence in the results produced. Since there was not a target industry, it is not possible to see how much of that industry was included. Instead we must rely on the size of the absolute number, the representation of major industries and employers, and the general agreement in responses to key questions.

Characteristics of the Employers

The first descriptor is the industry from which the firms come (Table 1). In previous decades the group would have been concentrated in manufacturing. That is still the case, but not to the traditional degree.

Table 1 Industry of Respondents

Industries	Frequency	Percent
Agriculture, Forestry, Fishing (01-09*)	0	0
Mining (10-14)	0	0
Construction (15-17)	9	11
Manufacturing (20-39)	36	45
Transportation, Communication, etc. (40-49)	3	4
Wholesale trade (50-51)	11	14
Retail trade (52-59)	3	4
FIRE (60-67)	5	6
Services (70-89)	13	16
Public Administration (91-97)	0	0
Non-classifiable (99)	0	0
Total	80	100

**These are the two-digit Standard Industrial Classification codes*

As might be expected given historical trends, some 45% of those firms that agreed to an interview were manufacturing concerns. That concentration dominates several of the other descriptors. Services (16%), Wholesale Trade (14%), and Construction (11%) constitute the bulk of the other respondents. This may not reflect the distribution of firms in the inner city, but it does to some degree reflect the relative importance of manufacturing in this location, at least among major employers.

The second descriptor is the status of the firm as either a single-site or part of a larger company. In today's world, multi-establishment operations are much more common. Whether a firm is in manufacturing, retail, wholesale, finance, or service, multiple locations are common. The question is whether this is also true of those located in the inner city. Table 2 reveals that it is true, although not nearly as common as among the larger manufacturers included in the Milwaukee 7 study of 2006. Among the inner-city respondents, some 43% had operations at multiple sites. Among the regional manufacturers 63% had operations at multiple sites.

This one fact would suggest that this group of inner-city firms is not as involved in current trends as regional manufacturers are. Other responses will show that the mix of firms in inner city does differ in several ways from regional manufacturers.[1]

Table 2 Presence of Multiple Locations of Company Operations

Site Options	Frequency	Percent
All company operations are housed at this site	43	57
Additional operations located inside the 7-county region	7	9
Additional operations located outside the region	11	15
Additional operations located inside AND outside the region	14	19
Total	75	100

The third descriptor is the employment size of the establishment and the larger company, if it is not a single-entity operation. Are these employers large or small, and what are the implications of their responses? Table 3 reveals the distribution of employer size among the respondents. The average employment is 94 persons at the site of the interview. That is less than half the average size of the larger regional manufacturers (210), but it also says that these inner-city firms are smaller but not, on average, small establishments.

[1] Several references are made to "regional manufacturers." The reference is made to the results from a Milwaukee 7 CEO Call Program done in 2006 that included 177 manufacturers from the seven-county Milwaukee 7 region. This group of firms represented pretty well manufacturers of 20 or more employees that had either grown employment or had stable employment in the three years preceding the interview.

Table 3 Distribution of Employment across Locations

Location	Maximum	Mean
This Site	1300	94
Region (7-county)	1300	112
Wisconsin	16000	346
U.S.	40000	1046
Worldwide	40000	1172
n = 72		

Those firms with multiple locations are larger, on average, the further afield their other operations. If they are totally located in the seven-county region, the larger company averages 112 employees. If they have operations both inside and outside the US, their average total employment is just under 1,200 workers. The largest is in the neighborhood of 40,000. The distribution reveals that this is a mix of companies by size. The one point all have in common is an inner-city location.

A similar range exists in their site and company sales estimates (Table 4). The smallest site annual sales reported were less than $500,000 while the largest was in the $100-$499 million range. The median, however, was in the $5 million to $9.9 million range. By way of contrast, among regional manufacturers the individual site's sales ranged from a low of less than $1 million to a high of greater than $1 billion with a median of $10-$49.9 million. Inner-city respondents, on average, are smaller-scale operations.

Table 4 Annual Sales Volumes for Companywide and Specific Interview Site 2006

Sales Categories	Company (%)	Site (%)
Less than $500,000	5	9
$500,000 - $999,999	3	3
$1,000,000 - $4,999,999	13	18
$5,000,000 - $9,999,999	26	27
$10,000,000 - $49,999,999	36	29
$50,000,000 - $99,999,999	3	3
$100,000,000 - $499,999,999	13	12
$1,000,000,000 and above	3	0
Total	102*	101*
*rounding error	n = 39	n = 34

Companywide sales were greater, as would be expected. About 8% were less than $1 million last year compared to 12% of interview site sales. Some 38% of company sales versus 45% of site sales were between $1 million and $9.9 million. About 36% of company sales were in the $10 million to $49.9 million range compared to 29% of site sales. Somewhat surprisingly, only 16% had sales in excess of $100 million versus 12% for the interviewed sites in inner-city Milwaukee.

Participants were also asked some detailed questions on sales from their inner-city site. One had to do with the proportion of sales at this site that are generated by their top three customers. The second asked what proportion of sales come from customers outside the region and what percent come from international sales. Table 5 reveals the range of differences in terms of the concentration of sales to customers.

Table 5 Proportion of Sales to Largest Three Customers

Percent of Sales	Number	Percent
1%-9%	6	14
10%-25%	13	31
26%-50%	11	26
51%-75%	8	19
76%-100%	4	10
Total	42	100

What is immediately evident is that some firms have a concentration of sales to a limited number of customers. Only 14% had fewer than ten percent of total sales go to their top customers. On the other end of the spectrum, 10% had between 76% and 100% go to 1-3 customers, and another 19% had between 51% and 75% going to their top three customers. That is considerable concentration of sales. This can work well, but it also raises the risk of large swings in sales, should any one of the large customers suffer a sales cutback. On the other hand, some 45% have sales concentration of 25% or less with their largest customers, so the issue is not a severe problem across inner-city firms.

The second part of this topic is whether these firms are involved only in local sales or whether they have gone so far as to have significant national or international sales. The answer is a bit surprising: 35% of sales, on average, are to customers outside the region (including international), and an indeterminate percent of sales, on average, is to customers outside the country. (The response is termed indeterminate because of a small response to this question. One firm noted that their exports yield about $50 million annually, and others did note that they do export. But, on average, exports seem not to be a central element of the businesses interviewed.) This is a group of businesses that is seemingly very dependent upon the local market and very heavily dependent upon the domestic market, on average. Furthermore, with only 35% of sales outside the region, these firms are not often large regional income generators, as had been intended in the development of the call list.

An aspect of their sales patterns that may relate to their location, their industry mix, their ownership, or historical happenstance is the proportion of respondents with sales to government entities. Governments are a modest part of the overall economy, yet some 47% of these businesses sell to governments. There may be growth potential here.

Another descriptor of the responding businesses is their age, based on when the firm was founded. Among manufacturers, one quarter were actually founded before 1930. Such firms have been existence for more than 75 years. Given that the current interviewees were located in an older section of the region, is it possible that they also skew older as well? Table 6 reveals the distribution.

Table 6 Distribution of Year of Company Founding

Year Founded	N	Percent
< 1930	16	22
1930 -1949	11	15
1950 -1969	11	15
1970 - 1989	19	26
1990 +	17	23
Total	74	100

Since the mean founding date is 1960, it suggests that this group consists of several firms that have been in operation for many decades. In fact, 37% were founded before 1950, and half before 1970. Several mentioned start dates such as 1850, 1889, and 1910. Somewhat surprisingly, almost one-quarter have been founded since 1990. That figure suggests some vitality in the area, and the group is a bit younger, on average, than the 177 manufacturing firms interviewed region-wide last year.

Of greater interest is whether these firms have their headquarters in the inner city. The answer is that the vast majority do. Some 85% indicated that this is home base. That means that control of the firm and its investment decisions are made locally. That is good news for the region. So, not only is the inner city headquarters for the 57% of respondents who have but one operation, it is also home to most (73%) of the companies that have additional facilities outside the inner city.

One other general descriptor of these firms is the impact of their supply purchases on the region and state. Are these firms that largely purchase goods and services in the region or do they send their dollars to other parts of the world? Table 7 reveals the proportions of their supplier dollars that go to each of four different parts of the world. Fortunately for the region, 50% of the supplier purchases, on average, are made in the seven counties of southeast Wisconsin. Another 14% is spent in other parts of Wisconsin. This means that they strongly contribute to the southeastern Wisconsin economy both directly and indirectly, which makes them more important to the region. Making a point that will be expanded upon below, these firms are not tied to the global economy: only four percent of purchases are made outside the US. This suggests a need for greater global connections.

Table 7 Proportion of Supplier Expenditures Made to Each of Four Areas

Geographic Area	Ave. Percent
Region (7-county)	50
Wisconsin (excluding region)	14
US, excluding all of WI	32
International, excluding US	4
Total (n = 41)	100

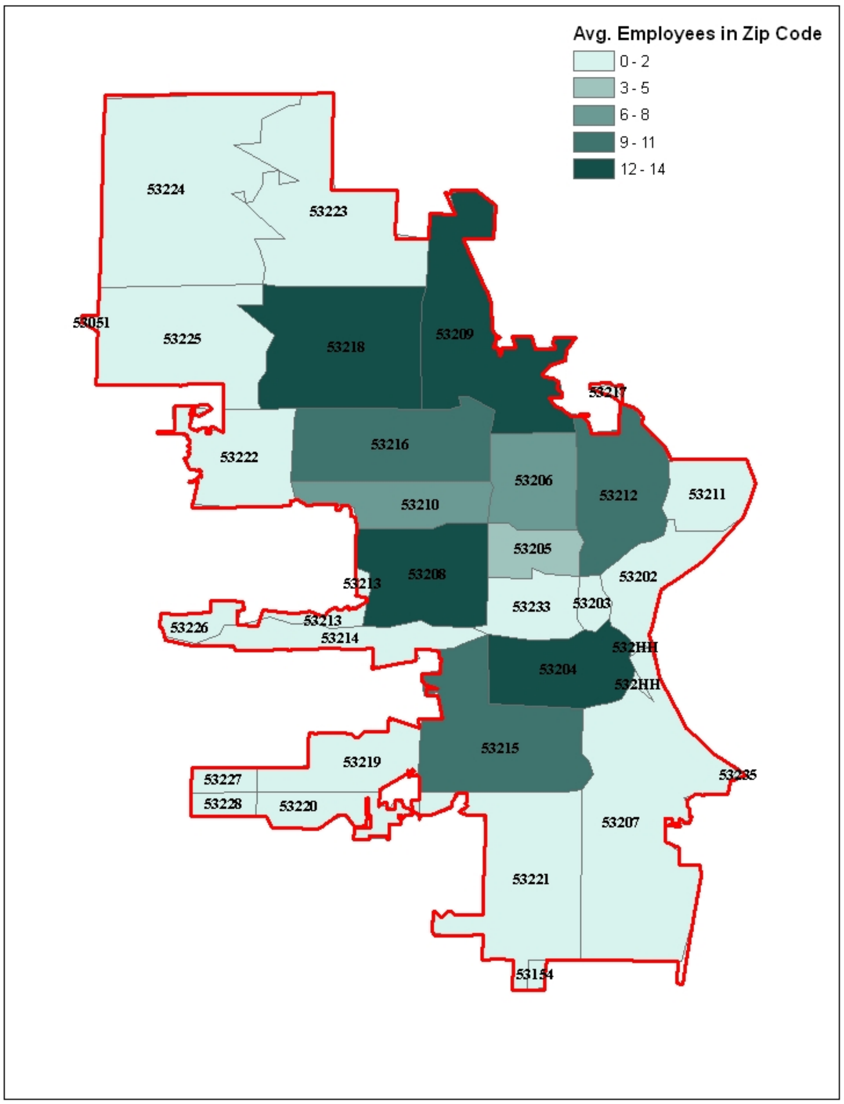
Employer Characteristic Summary

- Located largely (82%) in seven inner-city ZIP codes
- Just under half (49%) founded since 1970
- Heavily Manufacturing (45%) but 16% Services and 14% Wholesale trade
- Less often multi-site (43%) than manufacturers in the region (63%)
- Majority (57%) have all operations at this one site
- The inner city is home base: 85% are company headquarters, places that decisions get made
- 70% of firms have sales in excess of $5 million annually
- 47% of firms sell to governments
- Average employment was 94 workers versus 210 for regional manufacturers
- Half of their supplier purchases, on average, are made in the seven-county region and 14% in the rest of Wisconsin
- Weak ties to global economy: in terms of purchases only 4% come from outside the US

Characteristics of the Workforce in Inner-City Firms

Respondents were asked to reveal a good deal about their workforces. Unfortunately, only a small portion of the firms answered one question that required considerable work on their part: how many employees come from each of eleven ZIP codes in inner city. Apparently, this is not commonly calculated. The results appear by ZIP code in Map 2.

Map 2 Inner-City Zip Code Residences of Employees



There are several ZIP codes that are common among the workforces found in the responding firms. Those with the highest average number of workers are 53208 (near west side), 53204 (near south side), 53209 (northeast side, north of Capital, west of I43 and east of 43rd Street), and 53218 (west of 53209). Few workers come from 53233 and 53205, both adjacent to downtown on the west and northwest sides. In individual comments several respondents made statements to the effect that 90%-95% of their employees come from the inner city. The point is that the workers in the firms in these ZIP codes do tend to come from the same general ZIP codes as the firms. On the other hand, a few stated they do limited hiring from these ZIP codes.

As one might expect, the workers from the responding firms are concentrated in "line" jobs. Some 37% of the workers are described as unskilled, and 31% are described as skilled (Table 8). This certainly reflects the composition of the industry distribution of respondents. But it also suggests that one of the reasons for being located in the inner city is access to these workers. Another is obviously history, given the many firms that have been in their locations four decades or more and have remained there because of the continuing access to workers.

Four other occupations that have similar representation, 7% each: technical, clerical, marketing/sales, and management workers. These are fairly common numbers and merely reveal that these inner-city businesses are similar to many others elsewhere.

Table 8 Occupational Distribution of the Workforce

Occupations	Percent
Unskilled	37
Skilled	31
Management and Supervisory	7
Technical (Scientists, Engineers, IT, etc.)	7
Clerical and Administrative Support	7
Marketing/Sales	7
Professional (Lawyers, Accountants, Analysts, etc.)	5
Total	101*

*rounding error n = 42

A related question to that of occupational distribution is average wage distribution. Some may expect inner-city firms to pay less than firms located elsewhere. Then again, there are historical precedents with older firms more likely to pay higher wages than younger firms more commonly found in the outlying suburbs. Table 9 gives some insights into what forces prevail.

The average wages across occupations reveal a pattern: the lower-skilled and the upper-end occupations pay less than was seen in manufacturing region-wide. The larger firms interviewed tended to pay management, marketing, and technical workers considerably more, on average. For example, management in the inner city earned an average of just over $27 an hour versus $41 an hour among the regional manufacturers, and marketing and sales earned under $21 an hour versus close to $32 among the larger manufacturers.

Table 9 Distribution of Average Wages per Worker by Occupation

	Ave. Wage ($)	
Occupations	Inner City	Regional Mfg
Management and Supervisory	27.27	41.20
Marketing/Sales	20.80	31.61
Skilled	17.43	18.30
Professional (Lawyers, Accountants, Analysts, etc.)	17.03	26.79
Technical (Scientists, Engineers, IT, etc.)	15.77	28.75
Clerical and Administrative Support	11.93	15.15
Unskilled	10.38	12.70

n = 46 and 74-108

Among line workers in the inner-city, skilled workers are paid $17.43 an hour versus $18.30 in regional manufacturers. And unskilled workers in this mix of inner-city firms earn $10.38 an hour versus $12.70 in the regional manufacturers. Thus, across the board, the inner-city firms pay workers less than the region's larger manufacturers. That difference is likely due to size differentials as well as industry differentials, with manufacturing tending to pay more than many industries. The inner-city firms have an advantage of being more accessible, so that may reduce wage needs of workers because of lower travel costs. But the differences also point out that taking jobs in inner-city firms may well result in lower earnings compared to what might be earned elsewhere.

An important question to ask is what is happening to the workforces of these firms in terms of the overall employment: has it been increasing and is it expected to increase? Firms were asked to reveal the scale of employment change in the last 12 months and what change was expected in the upcoming twelve months. The results appear in Table 10.

The past 12 months have been quite good for inner-city employment. Over two-fifths (42%) of the firms reported increases in employment, including the 7% that reported significant increases in employment. Only 9% reported a decline in employment. These results are significant because overall employment in the Milwaukee metropolitan labor market was flat for the same period.

The growth was greater among firms with 50 or more employees (hereafter referred to as "larger" firms): 50% of such firms grew versus only 36% of those with less than 50 employees, and decline was twice as likely among smaller firms (11% v. 6%). Still the vast majority did not suffer during what was a very challenging market period.

Table 10 Employment Trends for Past 12 Months and Next 12 Months

Degree of Change in Employment	Last 12	Next 12
Significant Increase	7	7
Increase	35	41
About the Same	50	46
Decline	9	4
Significant Decline	0	2
Total	101*	100

n = 46 * rounding error

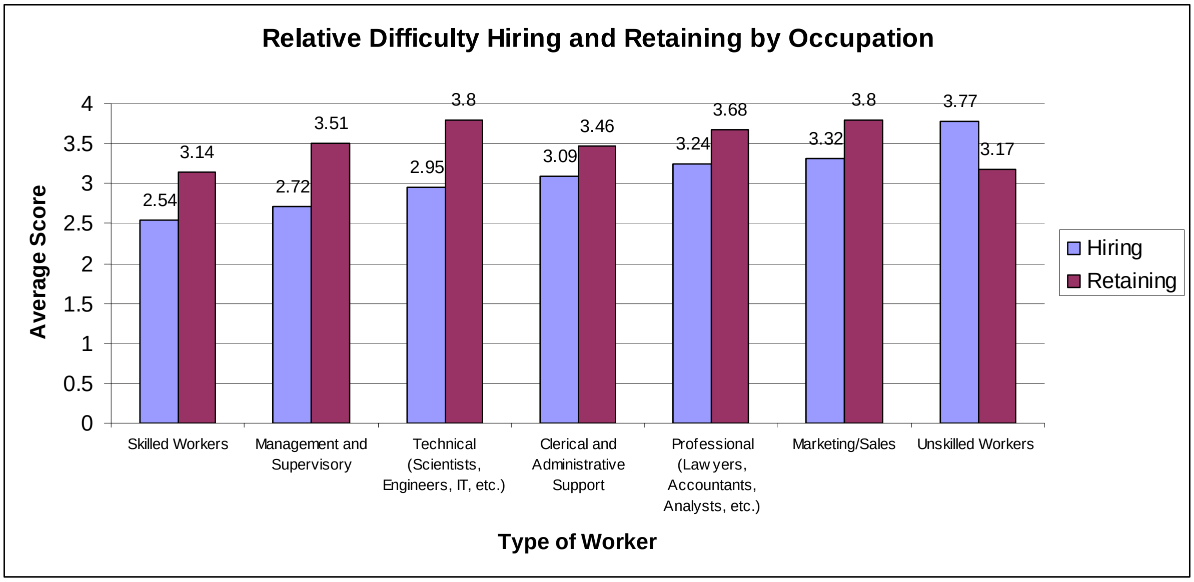
The future looks even brighter. Almost half (48%) expect employment growth over the next 12 months while 46% expect no change. That leaves but 6% expecting declines. That appears to be positive news for the inner city. Again, larger firms are more likely to expect growth (50% v. 46%).

The need for more workers raises the question of the difficulty of finding employees and of retaining those who are already hired. Employers were asked to rate on a five-point scale, where 1 = very difficult and 5 = very easy, just how difficult it is for them to hire and retain individuals in the seven different occupations already noted. Their aggregate responses appear in Figure 1. Only a few occupations are presenting problems in hiring, and virtually none, on average, are a problem in terms of retention.

For inner-city employers the most challenging workers to hire are skilled workers (2.54), followed by management (2.72) and technical workers (2.95). These are all rated below the midpoint of the scale (3), indicating some difficulty. At the other end of the spectrum is unskilled (3.77), indicating little difficulty in hiring. That is an endorsement of the inner-city location as a ready source of such employees; regional manufacturers had more trouble hiring unskilled workers (3.36). All in all the other numbers do not look that different from the regional manufacturers, except that management is .4-of-a-point more difficult among inner-city firms and clerical is .7-of-a-point harder in inner city. In short, inner-city firms have trouble finding workers in some but not all occupations.

A point worth noting is that in all occupations except unskilled, it is harder to recruit than retain workers in the inner city. This is the only occupation with the first bar being longer. That ease suggests what other evidence indicates ─ it is easier to find such workers in the inner city.

Figure 1 Relative Difficulty Hiring and Retaining Workers by Occupation



1 = Very Difficult; 5 = Very Easy

The firms do not have any particular trouble retaining the workers. With the exception of skilled workers (3.14) and unskilled workers (3.17) inner-city firms reveal that most occupations are not too challenging to retain. They have more trouble, on average, than the regional manufacturers. But with no average less than three, worker retention must be said to not be much of a problem for inner-city employers, at least to date. That condition has occurred despite lower average wages.

Size of firm again plays a role in recruitment and retention. Smaller firms claim to have somewhat more difficulty hiring both skilled and unskilled workers and less difficulty in retaining these workers. This is especially true among the unskilled where less than half as many small as large employers (18% v. 39%) noted they had trouble retaining such workers.

Firms that pay their skilled workers less than $17 an hour (below the average) find it a bit more difficult to recruit and retain such workers than those that pay above average. But somewhat strangely, firms paying unskilled workers less than average ($12 an hour) actually have a much easier time recruiting and a somewhat easier time retaining unskilled workers than higher paying firms. One hypothesis is that unskilled workers in lower-paying firms need and have fewer skills and therefore, fewer options.

A pending issue for employers, however, is that of potential retirements, as the baby boomers approach and reach retirement age. Employers were asked to reveal just what proportions of their workforces were likely to be lost to retirement in the next three years.

One might hypothesize that the proportions would be low, given the likelihood that they employ a younger, inner-city workforce. That is largely the case, as Table 11 reveals. Some 86% of the respondents expect less than ten percent of their workforces to retire in the next three years. That is good news for these firms. But for 14% of employers more than 10% is expected to retire. For most, that is still less than one-quarter of their workforces. Nevertheless, they may be challenged to replace many workers in a short period of time. For most employers, retirements are not a major issue in inner-city firms, at least not yet.

Table 11 Expected Proportion of Workforce to Retire in Next Three Years

Proportion to be Lost in Next Three Years	Percent
0%-9%	86
10%-25%	12
26%-50%	2
Total	100
n = 44	

Summary: Characteristics of the Workforce

- Drawn heavily from 11 inner-city ZIP codes
- Largely production workers: 37% unskilled and 31% skilled versus 33% in each category among regional manufacturers
- Average wages are lower than regional manufacturers: $10.38 for unskilled and $17.43 for skilled in inner-city v. $12.70 and $18.30 (manufacturers)
- Impending retirements are not a large issue: only 14% of firms have 10% or more retiring in the next three years
- Opportunities for inner-city employment have been decent: 42% of local employers have increased or significantly increased in last 12 months
- Future opportunities look even better: 48% of local employers foresee increases in employment over the next 12 months
- Skilled workers have more opportunities, as employers indicated challenges finding such workers
- Finding unskilled workers is not perceived as a problem

Firm Competitive Advantages and Challenges in Inner City

The CEOs were asked a series of questions attempting to learn what these employers see as the advantages of being in Milwaukee and in the inner city. This was followed by a contrasting question, asking what the top three challenges are for their firm at this site. A variation on that theme followed: what factors are currently inhibiting their company's growth. And finally CEOs were asked about their current involvement with and interest in formal relationships with other firms in the region. The series sought to learn more about the pluses and minuses of their location. Not all respondents saw it that narrowly, so what is reported below reveals the breadth of the responses.

First, it is interesting to learn just what the plans are in terms of expected growth during the next year. CEOs were asked if they expected to experience significant growth in employment, capital (equipment) expenditure, or physical space over the next 12 months. Their responses were surprisingly positive (Table 12) in that 66% of the firms indicated they expected to experience some form of significant growth in the next 12 months.

Table 12 Proportion of Firms Expecting Significant Local Growth

Types of Significant Growth Expected	Percent
Employment Growth	49
Capital Growth	47
Space Growth	26
n = 53	

The good news for Milwaukee is that real growth is expected. Almost half (49%) reported that they expected to experience significant employment growth over the next year. One even reported an expected tripling of employment in three years. That would suggest better times for the inner city in terms of job openings. This significant growth, however, is a bit more commonly expected among employers of fewer than 50 employees: 51% expecting real growth versus only 46% of those with 50 or more employees.

Second, almost as many (47%) expected to make significant equipment expenditures. That will in turn create some need for more people and, in certain instances, for more space. Again, significant growth is a bit more likely among the smaller employers: 49% v. 43% for the larger. Smaller firms are a bit more optimistic

Just over one quarter (26%) expect to add significant space in the next year. Some 71% of these firms expect to significantly add employees, and 76% expect significant capital expenditure. The difference by size is modest: both larger and smaller firms expect to need space at similar rates. The average expanding firm has 72 employees, is almost always the headquarters (91%), usually owns its building (73%), hires about half of their employees from the inner city, has higher than average unskilled workers (49%), and largely reflects the industry distribution of the group.

Two other related questions were asked: company sales trend and company profitability trend. Their responses reinforced the image of success given by the proportion of firms expecting significant local growth (Table 13).

Table 13 Trends in Company and Site Sales and Profitability

Trends in Sales Last 3 years

Trend	Company %	Site %
Growing	62	53
Stable	27	38
Declining	11	9
Total	100	100

Trends in Past and Future Profitability

Trend	Vs. 3 Years Ago	Vs. in 3 Years
Significantly More	25	12
More	28	49
Same	33	33
Less	11	6
Significantly Less	4	0
Total	101*	100

* Rounding error

In terms of sales, some 62% of the companies and 53% of the specific sites have experienced increases in sales over the last three years. Another 27% of the companies and 38% of the sites have had steady sales volumes. The sites have not been doing quite as well as the larger companies, but still the last three years have been good for the vast majority of these firms. As should be expected, the firms with more than 50 employees have been more likely to grow: 71% have had growing sales compared to only 40% of the smaller firms. That suggests more of the smaller firms are struggling, which they are: 15% experienced declines in sales while none of the larger firms did. The two sizes have been experiencing some rather different business conditions.

When asked about the past and future profitability of the firms, the responses are also quite positive. Some 53% of the respondents indicated that their companies are more or significantly more profitable than they were three years ago. This is a bit below the 69% of regional manufacturers who answered the same way in 2006 and may reflect the somewhat more challenging environment in which the inner-city firms find themselves. With regard to the future some 61% expect the future to lead to more or significantly more profitability than they have today. That is positive. Further good news is that only 6% expect lower profitability than they have been experiencing.

Given the sales patterns, we would expect profitability experiences and projections to be greater among the firms with 50 or more employees. That is the case for the past but not for the future. Some 68% of the larger firms reported greater profitability compared to three years ago while only 45% of the smaller firms did so. Interestingly, the future looks about as bright to both: 63% of smaller firms and 59% of larger firms expect more or significantly more profit in the next three years.

To gain insight into why firms might be viewing the future more or less positively and to better explain current sales trends, respondents were asked a series of questions aimed at learning what factors are having the greatest influence on their company's success here in Milwaukee. All of the CEOs were able to identify at least one factor they thought was responsible. In fact, most CEOs gave two or three responses. These several responses have been condensed in Table 14. The categories represented are thought to reasonably state the variety of responses received.

By far the most common response was their outstanding customer service (24%). This was expressed in various ways, but the message was the same: they have established very good relationships with their customers through a mix of quality products and quality service. Their customers are extremely pleased with the combination. Building good customer relationships is a message that is increasingly being cited in the business literature as an excellent way to succeed.

Table 14 Reasons for Company Business Success

Reasons for Business Success	Percent
Customer Satisfaction/Customer Base Here	24
Employees' Work Ethic	15
Specific Qualities of the Region	9
Longevity - Proven Ability to Succeed	8
Low Cost Producer/Reasonable Price	7
Technology/Technology Leader	6
Quality of Product/Service	4
Dedicated Leadership	4
Unique Focus/Product/Service; Innovative	4
All Other	19
Total	100

n = 139

The second most common reason cited for their success is their employee work ethic and overall quality of the workforce (15%). Several referred to management as well as overall workers. Some referred to skilled workers; others to technical. A common theme was the hard work of a committed, quality workforce.

While the first two responses dominated, several others need to be mentioned as well. Third most common was a reference to specific qualities of the region (9%). Comments were made on such elements as easy access to customers, plentiful water, power, and people, good transportation for workers and goods, the density of population, the quality of downtown Milwaukee, and city amenities.

Almost as commonly mentioned was the fact that the businesses had been in the area for many, many years (8%). One talked of 1910; another of the 1930s. Yet another said 50 years. They are successful because of the ability to adapt over several business cycles.

There were also numerous responses (7%) about their ability to be a low-cost or competitive cost producer and the strength of the local market. The latter refers to their success in meeting local needs. The former refers to such factors as low overhead, low debt, large volumes, and bulk purchases to keep prices reasonable.

Rounding out the most common responses are those that pointed to technology (6%). Almost all of these claimed high levels of technology, state-of-the-art equipment or unique forms of technology. The application of technology is also part of the current recommendation for successful manufacturing in the new global economy.

In all, 26 different types of characteristics were cited as contributing to success in this location. Some of the others included high quality (4%), dedicated leadership (4%), unique product or service (4%), and quality raw materials (3%). Success is present in the inner city. The reasons are varied, but the end result is similar to elsewhere.

To learn the other side of this question, respondents were asked to name the top three challenges facing their companies at their current location. The intention was to learn what factors must be overcome to increase sales and profitability. Again, their many responses were categorized and aggregated to help make their thoughts more readily accessible to the reader. These categories appear in relative order of importance in Table 15.

As might be expected, by far the greatest challenge facing these companies is finding the workers they need: 27% cited this reason. Many additionally cited the challenge of retaining their workers. Several also qualified their response by stating the challenge is finding “qualified” workers, the “right” people, “capable” people, “good” workers, “motivated” workers, “drug-free” workers, and “talented” workers. Some responses indicated specific types of workers, such as skilled, unskilled, engineering, sales, service, clerical, literate, welders, and supervisors. A couple talked of the difficulty of getting potential employees to come to work in their inner-city locations. Regardless of the nuances, finding and retaining workers is by far the top challenge.

The next most common issue was the high cost of doing business in Wisconsin. Often mentioned were healthcare costs, taxes (usually property), energy, safety and security, old infrastructure, operating, legacy costs (retirement plans, benefit plans, and health care) costs and in a couple of cases, wages. A couple just talked of “growing expenses.” These are issues that do catch the attention of many CEOs. They are issues in Milwaukee and the larger region.

Table 15 Top Three Challenges Facing Companies at Their Current Locations

Categories of Challenges	Percent
Finding the Workers They Need	27
Cost of Health Care, Taxes, Wages, Energy, Security, etc.	18
Competition from Others	11
Out of Space in Current Facility	9
Crime in the Neighborhood and in the Business	8
Government: Regulations, Interactions, Inspections	6
Getting Access to Capital for Various Uses	5
Business Climate	3
Aging Facilities and Equipment	2
All Other Responses	11
Total	100

n = 200

The third most common response (11%) was the challenge of competition. For some it was local. But for many it is national and global. They are concerned about their abilities to procure sufficient demand for their products and services.

Interestingly, on a very different note, some 18% of the companies (9% of all responses) are challenged by their limited space. The vast majority of these firms want to expand, and they cannot do so at their current locations. They are literally out of space. The Department of City Development should be talking with these firms about alternative solutions to their problems – can space be added in some inventive way or nearby? But they cannot expand under current regulations and settings.

This challenge of limited space comes in sharp contrast to the 48% of respondents who have the ability to expand their businesses at this site. So, about half of the businesses have room to grow, should they need it, and one quarter are filled to capacity and need to move elsewhere or undertake some very creative alternative that will allow them to expand where they are.

Another topic on the list that is a challenge is crime. This single factor affects the attraction of workers, the attraction of business (“customers refuse to come to this area”), and additional costs for security, petty theft, and the like. The good news is that only 8% listed this factor among their top three challenges. The bad news is that some firms are spending hundreds of thousands of dollars annually on security, employees are witnesses to many illegal acts, and it is difficult to recruit certain workers under these conditions.

About 6% addressed government. These were very mixed, ranging from concern that Milwaukee County would not have sufficient tax revenue to inconsistencies in building inspection that resulted in wide-ranging bids on construction projects. Slightly fewer responses (5%) dealt with the availability of sufficient capital for both operations and expansion.

Some 22 additional responses (11%) were given. They mentioned such items as education system, ability to compete in R&D, developing new products, poor rail line, strained labor relations, power outages, and so forth. Businesses have many different concerns. But a few are clearly at the top of the list and deserve attention.
Despite these many challenges a few respondents indicated that they thought other businesses were missing good opportunities to locate in the inner city. They still see advantages to being there and hoped that others soon would.

Employers were also asked a follow-up question: "What factors, if any, are currently inhibiting your company's growth?" Several similar responses were given. But the distribution is a bit different as are the comments that accompanied the responses. A summary appears in Table 16.

Table 16 Factors Inhibiting the Company's Growth

Inhibiting Factors	Percent
Insufficient Demand for Product/Service	35
Workforce Quality or Availability	17
Working Capital	9
High Costs: Material, Energy, Wages, Taxes	7
Insufficient Space in Current Building	7
Government (Federal, State and Local)	6
Image of Firm or Industry	4
Technical Capacity	2
Internal Factors	2
Nothing	6
All Other Factors	6
Total (n = 79)	101*

* rounding error

Far and away the greatest current factor inhibiting growth is lack of sufficient demand for respondents' products and services (35%). This was mentioned in various ways, but the basic problem is increasing competition or decreasing markets. The bottom line that was repeated is the lack of more business. That condition has come for several reasons, be it international competition, competition from non-union firms, competition from merging competitors, competition due to the Internet bringing more bids, competition from the decline in customers in the region or the Midwest (auto industry), competition due to the shift in value placed on low price rather than quality of service or product, and competition from older firms that tend to tie-up supplier channels. These firms are definitely feeling the pressure that is increasingly evident in today's business world.

The second most-common, growth-inhibiting factor, workforce (17%), led the preceding list of challenges facing firms noted in Table 16. In response to this question there were more variations on the theme; it was not just quantity. Elements inhibiting growth included the competence and experience of their staff, the quality of their workforce, the challenge of attracting and retaining good workers, the declining number of skilled workers in the area, the difficulty finding quality entry workers, and the difficulty finding special types of workers such as engineers that have knowledge of their industry. Once again, workforce is often mentioned, even if the issues are not exactly the same.

Far less common are the many other responses given. The 79 respondents spread their remaining responses over a variety of topics. Mentioned several times were having limited access to the capital they need to expand (9%), being constrained by their existing space (7%), encountering costs that limited their competitiveness – material, energy, and taxes were mentioned (7%), and government actions (6%) that included federal purchasing decisions and delays, state rules and regulations, and local government zoning policies and lack of assistance in helping businesses connect with potential local customers. Mentioned as often as the last (6%) was the fact that they did not think their firms were at all inhibited in growing. That is an unfortunately small number for the area.

These firms are quite successful despite the many challenges that they face. Many more would like to achieve greater success. But when two-thirds do expect to have significant growth in some form in the next 12 months, the business environment and the firms' skills are good enough for many to succeed, if not succeed at the rates they would prefer.

Summary: Competitive Advantages and Challenges in Inner City

- Business is relatively good in the Inner City: in the next 12 months:
  - 49% of employers expect significant employment growth
  - 47% of employers expect significant capital expenditure
  - 26% of employers expect to add space or move to more space

  Also employers reported:
  - 53% experienced sales growth and greater profitability v. 3 years ago; this is more common among firms with >50 employees
  - 61% expect more or significantly more profit in next 3 years

- The most common reasons cited for firm business success were customer satisfaction with products or services (24%) and employee work ethic (15%). But firms are challenged by insufficient demand (35%) and workforce problems (17%)
- The top three challenges facing companies at their current locations are:
  - Finding the workers they need (27%)
  - Contending with high costs of doing businesses (18%)
  - Overcoming competition from others (11%)

Workforce Attributes and Challenges

Given that issues of workforce are near or at the top of the challenge list, it makes sense to next discuss this critical area. Fortunately, a number of questions were asked of CEOs regarding their workforces. Employers were asked to identify the three most positive attributes of their workforces, the most critical shortcomings of their workforce, and what they see as the most critical workforce challenges over the next five years. In addition, they were asked specifically what must happen for them to hire neighborhood residents and a series of questions on the training that is currently undertaken in their firms.

The first question on the positive attributes of the current workforce elicited some 189 responses from 80 respondents. Far and away the most common response (47%) was the work ethic found in local workers (Table 17). This was expressed with a variety of phrases including "work ethic," "good values," "character," "hard working," "professional," "honest," "dedicated," "dependable," "positive attitude," "respectful," and "committed to quality." These words and phrases were repeated many times. This is the core asset of the current workforce. A few did qualify these statements by saying that this was true of 90% of their workers or true of the older workers. Such qualification indicates a problem that will be discussed below: an absence of this work ethic in many younger workers regardless of their home community or skill level.

Table 17 Three Most Positive Attributes of the Workforce

Workforce Attributes	Percent
Work Ethic	47
Workforce Availability	10
Loyalty to Employer (long-term employees)	8
Good (but not great) Worker Quality	8
Good Education and Training	6
Skilled Workers	5
Workers Live Close By	4
Diverse Workforce, Drawn from Many Ethnic Groups	3
All Other Reasons	9
Total	100

n = 189

Among the remaining more common topics used to describe the positive elements of the current workforce are its availability (10%), its loyalty (8%), and a qualified assessment of its members being good (8%). Contrary to the impression given above in the listing of challenges facing employers, where finding workers was the most common response, a number of CEOs reported that they thought they can find workers, that workers for most positions are available. In fact, twelve employers mentioned this in the first of their responses. Some went so far as to say lots of people were available. Others were more cautious, indicating that a "decent, albeit dwindling, supply" was still available.

Employers who pointed to loyalty talked of the many workers who have been with them for many years, the low turnover rate, and the stability of the workforce. All are attributes. A similar number of respondents spoke of the quality of the workforce, but they all qualified that statement to some degree. They used such phrases as "pretty good," "good," "majority (80%-90%) are dependable," and "fairly good skill level." The employers say they would like a perfect workforce but are largely complimentary of what they have.

The education and the training of the workforce received some (6%) mention as did the skill of the workers (5%), the fact that workers lived close to their place of work (4%), and that employers had access to a diverse work force (3%). Diversity referred to African American, Hispanic, and white and to both males and females. It is notable that this was referred to as an attribute; employers are beginning to see the need for this mix. The fact that many employees live nearby was shown in the early distributions (Table 9). But it is good that this is recognized as an attribute, one that eliminates transportation as an issue for employees. The reference to skills largely refers to comments that apply to skilled, longer-term workers. Employers sometimes even called them "highly" skilled workers. The firms and the region both benefit from the presence of these skilled workers.

On the other hand, there are a number of critical shortcomings that employers were able to identify (Table 18). In fact, 64% of the responses were related to the quality and availability of workers. Eighty respondents identified 164 shortcomings. By far the most common and seemingly contradicting either themselves or others is the issue of the work ethic. Despite (47%) of the positive responses being the good work ethic of the workforce, some 26% of the critical shortcoming responses were the absence of a work ethic or some descriptor of its inadequacies. The target of many of the complaints is younger workers regardless of skill level.

The common complaints were that these newer workers do not show up on time, do not want to stay with the company very long, do not come to work at all, have little motivation to work or work well, lack ambition, do not work very hard when they are there, lack respect for other workers and supervisors, and are unable to do any heavy work. Furthermore, some of these workers have an attitude that says they want it all now. This sounds like a very significant challenge with which to contend. And it afflicts both smaller and larger firms: 27% of the larger noted this versus 24% of the smaller.

Not only are some employers facing challenges of quality, many are also facing challenges of quantity. The second-most common challenge noted is that of worker shortages. These employers are already feeling the pinch of an insufficient number of candidates for their jobs. About 17% of the responses concerned shortages of job applicants. Larger firms were more likely to note this (20%) than smaller firms (15%). But it is an issue, one that will grow. The problems employers noted include general worker shortages, skilled worker shortages, difficulty finding workers for specialized areas, difficulty finding upper-middle level workers, and difficulty finding minorities for the trades. The tenor of these remarks is that the problems are getting worse.

Table 18 Three Most Critical Challenges of the Current Workforce

Shortcomings Noted in Workforce	Percent
Strong Work Ethic is Not Present	26
Worker Shortages Are Present	17
Education Inadequacies Are Present in Schools and Persons	11
Drugs and Crime Affect Workers and Workplace	10
Cost of Labor is High	7
There Are No Shortcomings	5
Legal Problems Are Created by Some Workers	3
Transportation of Workers Causes Difficulties	2
All Other Reasons (20)	19
Total	100

n = 164

Also challenging a number of employers are problems with inadequately educated job applicants and applicants and workers who have drug and criminal history problems. With regard to the latter a few identified the issue of lying on job applications, but most were general statements that many job candidates fail the drug tests or criminal background checks. This severely limits the pool of viable applicants.

Also limiting is the concern that younger workers lack education or have poor educations. This was one of the most common comments in the first round of responses. There is little doubt that this will increasingly be a challenge as retirements occur and a higher proportion of applicants consists of those who have not completed high school or completed with little distinction. Increasing the quality of K-12 education is a critical issue for Milwaukee.

Some employers think that the cost of labor in Milwaukee is high. That applies in some cases to entry-level workers who want higher wages than can be justified. In others it applies to specific skilled trades. Somewhat surprisingly, the costs of labor were only seen as a problem in 7% of the responses. Issues of work ethic and availability of workers are much more pressing. In fact, 5% of respondents did not think that there were any critical workforce issues.

A second way to learn more about workforce challenges was to ask this same question a different way. Instead of focusing on the present and the challenges employers are facing, these same employers were asked to look into the future and describe the most critical workforce challenges their companies will face in the next three years. Table 19 reveals the most common responses. The 79 respondents gave 113 responses.

Table 19 Most Critical Workforce Challenges Over the Next Three Years

Most Critical Workforce Challenges	Percent
Shortages of Workers	31
Being Able To Recruit "Good" Workers	12
Finding Skilled Workers	12
Bearing the Costs of Workers	10
Training Workers	7
Market Demand for Product/Service	5
Qualified Applicants	4
Being Able to Recruit "A-List" Applicants	3
Finding Workers Competent in English	3
Retirements	3
All Other Responses	12
None	3
Total	100

n = 113

By far the most common was the now familiar phrase, “worker shortages.” This was cited by 44% of the employers and constituted 31% of all of the responses. Most of the responses were general statements about finding sufficient workers. But several were qualified with interests in finding qualified workers or individuals who want to work in manufacturing. Quite a few referred to specific skills. This was more common among the larger firms that mentioned specific occupations while smaller firms were more likely to mention various phrases associated with “soft skills.” There were also several mentions of finding potential employees who are drug free or with a work ethic. One complained directly about how much it is currently costing to find suitable applicants. There is no doubt that worker shortage is the issue confronting employers in the inner city as it is for employers across the region.

This topic of shortage was actually the subject of additional responses that got more specific. Some 12% of the respondents talked of the difficulty of finding skilled workers; an additional 12% were categorized as finding “good” workers (for many this was implied) while another 4% talked of finding qualified applicants and 3% referred to finding not just qualified but “A” team members. When we combine these several categories, 75% of all responses dealt in some fashion with worker shortages and the challenges of finding individuals the employers are willing to hire. This is a huge challenge, even for employers that are sitting in the supposed center of a labor surplus. Obviously, much work needs to be done with that supposed labor surplus to help make it acceptable to the employers geographically located amidst that surplus.

An issue for a small portion of employers is cost of those workers. The most often cited problem is health care costs. The recent history of repeated double-digit annual cost increases has made some employers leery about future cost increases. A few other employers talked more generally of the cost of doing business in Wisconsin and its impact on their workforce. Even fewer employers talked of several other issues. The respondents see many dimensions to their workforce challenges.

Given the location of these firms in the inner city, it was appropriate to ask them a direct question about their hiring of neighborhood residents. Employers were asked what must happen for their companies to hire more residents from the neighborhood. Some 65 employers responded with 69 responses. Their answers have been categorized in Table 20.

Their responses varied from “it will not happen” to “it is already happening” and several steps in between. The least common response was that it will not happen, usually because they do not hire hourly employees, the type of worker they perceive to be available in their neighborhood. The most common response (32%) was that they will hire more locally when their sales increase. This was indicated again and again. We learned in the early part of this report that firms do hire locally. But a major barrier to doing so to a greater degree is the absence of a larger demand for products or services and the subsequent lack of need for additional workers. Solve the demand issue and at least one-third of the firms will hire more locally. This is yet another reason why the

Milwaukee 7 and local governments should focus resources on helping existing companies succeed.

Table 20 Occurrences Needed to Increase Firm Hires from the Neighborhood

Events That Must Occur	Percent
Business Needs to Expand	32
We Are Already Hiring Locals	19
Residents Need to Acquire Higher Skills	12
Residents Must Increase Their Willingness to Learn	9
Our Firm Must Improve Recruitment Techniques	6
Our Firm Hires From Any Where	4
Great Pressure Would Have to Develop	4
All Other Responses	14
Total	100
n = 69	

It is evident from Map 2 that local firms often hire inner-city residents. That is implied by the responses of the 32% just reported. But it was echoed by the 19% that reported that they are already hiring more workers from the neighborhood. That is good news. Some pointed to the strong work ethic of the Hispanic communities. Others said they hired from wherever and did not notice any difference between neighbors and those who come to work from distant suburbs.

On the other hand, there are some barriers that employers identified. Some 12% indicated that they needed to find more highly qualified workers than tend to locate in the immediate neighborhood. One noted they want applicants to have at least a high-school degree, preferably from a technical college, blue-print reading, electrical knowledge, good soft skills and be able to pass a drug test and a background test. A few spoke of the need to increase the quality of education. All were either implicit or explicit about the need for higher skill levels.

Another critique of the local population was the comment that they needed to find more individuals who were willing to learn. About 9% of the responses had something to do with finding individuals who would willingly improve their skill levels. Apparently, this is not common enough among local candidates.

One critique was reserved for the employers themselves. They indicated that the burden of hiring more workers from the inner city falls on the employers, and they must make a greater effort to let local residents know that they are looking to fill jobs in their places of business. Since only 6% of respondents make this claim, we can either believe that others are already recruiting locally, when they have openings or they may think that this geographic area is included in their general recruiting efforts. In fact, a few respondents (4%) indicated that they recruit from the entire metro area, implying that their immediate neighborhood is included in the effort. That may or may not be true.

Workforce Issue Summary:

Contradictions

- Work Ethic is highly valued: 47% of employers listed this as a positive attribute of their workforce, but 26% said it is not currently present
- Workforce availability is said to be a positive by 10%, and 17% indicated worker shortages are present
- Education of the workforce is good (6%) or inadequate (11%)

Critical Challenges

- Shortages of workers were most commonly cited (44% of employers)
- Being able to recruit "good" workers and finding skilled workers were both cited by 12% of employers
- Among the other challenges were bearing worker costs (10%), training workers (7%), and having sufficient demand (5%)

Hiring From Neighborhood

- A high proportion of employers already do hire locally
- But 32% of firms said they needed to increase sales to hire more
- Other barriers include resident needs to acquire higher skills (12%) and resident need to increase their willingness to learn (9%)

Current Training Initiatives

Since both attraction and retention of workers is such a critical issue, participants were asked a series of questions about their involvement in workforce training. The basic format was whether they offered a particular type of training and then what proportion of their workers participated. The questions began with the offering of structured classroom training. The results appear in Table 21.

Table 21 Types of Training Provided and Proportion of Workers Using

	Yes,	Proportion of Workforce (%)				
Type of Training	Offered (%)	0-9%	10-25%	26-50%	51-75%	>75%
Structured Classroom Training	76	7	18	18	13	43
On-the-job Training	88	3	17	20	14	46
Tuition Assistance	64	55	31	6	2	6

Classroom training proves to be a popular form of training. Over three-quarters of the employers offered this, and some 56% of the firms offered this training to more than half the employees. Common as classroom training was, on-the-job training proved to be even more popular. Close to 88% of the respondents had provided on-the-job training to employees. Furthermore, 60% of the respondents offered OJT to more than half their employees. Tuition assistance is not as common as either of the first two forms, either in proportion offering or in proportion taking advantage. Some 64% of the firms indicated they provide tuition assistance, but only 8% said that more than half of their employees took advantage of the opportunity. In fact, only 16% said that more than one-quarter of the workers took advantage.

Respondents were also asked if they had any major training initiatives in addition to the three just mentioned. About 40% of the respondents said that they did not, but the other 60% talked of still other training. About 22% indicated that they did safety and security training for large portions, if not all, employees. Almost the same percentage (21%) talked of various types of training that they provided. These included such topics as Customer Service, Manager's Training, Leadership Success, Quality, Interpersonal Skills, Ethics Training, Oracle Business System, Regulatory, Project Management, Certifications for ISO 9000, 14000, and 15000, and CPR, to give several examples. Apparently these are either not given in the three formats about which they were queried or they misunderstood the question. Either way there appears to be a variety of ongoing training at the responding firms.

Despite these many initiatives participants were asked if they would like to receive more information on workforce training options and government-sponsored programs that can offset the cost of training. Not surprisingly, given the level of interest in training, over 70% indicated that they would like more information. When asked if they would like more information on workforce retention strategies, such as childcare, transportation, and assistance with purchasing tools/uniforms, to assist new and existing employees, 60% said yes. A solid majority of these employers not only are training their workers, they want to learn more about other training options, and they want to learn about support programs that may give them a longer-term payoff from the investments they make in training.

On a related note employers were asked directly if their company would be willing to assist in local efforts to help entry level workers become better employees. Although the question was a bit vaguely worded, two-thirds (67%) of the employers said that they would like to assist such efforts. The employers seem to understand that this is a challenging issue and that a coordinated effort is more likely to succeed in truly helping entry-level workers improve skills and attitudes. Other employers wanted to learn more before saying that they would commit to such an effort.

Business Success and Climate

The companies interviewed were asked a series of questions on how well they are doing and how well they expect to be doing in the future. These were followed by an attempt to get them to rate the past, current, and future business climates. The intention was to get a better sense of the current and expected success of firms in the inner city. Already discussed are the many challenges they face. Given those challenges, will most survive and even flourish? Time will tell, but some sense of outlooks should help tell others of the expected outcomes.

That being said, the next question is whether they are doing this in concert with what they see as a supporting business climate or whether their success comes in spite of the business climate. Their assessments of the business climate appear in Table 22.

Table 22 Assessment of the Current Business Climate (5 = Excellent; 1 = Poor)

Climate Rating	Percent
5	7
4-4.9	27
3-3.9	50
2-2.9	14
1-1.9	1
Total	99*

*rounding error

Participants were asked to rate the overall regional business climate from 1 (poor) to 5 (excellent). Some 77 CEOs did respond. Their answers are distributed across the five possibilities. About 34% indicated that they thought the current climate was excellent or very good. Half (50%) think the climate is okay, neither good nor bad. Some 15% think the business climate is fair to poor. This is not a ringing endorsement of the climate today, but it is quite positive.

The reader might expect, based on more positive experiences with sales and profitability trends over the last three years, firms with 50 or more employees should be more positive about the business climate. But that is not true. Some 65% of the larger firms gave the overall business climate a score of 3 or less, whereas only 46% of the smaller businesses gave such scores. That is hard to explain based on their records. But it may have something to do with expectations.

When asked to be more specific about the climate, participants were asked to rate 14 different elements of the business climate to help to identify the strengths and weaknesses. Respondents used a five-point scale to indicate how well they thought the region was doing on each factor and how important each factor is to their business. The average scores for importance and rating appear in Table 23, listed from most important to least important. A score of 5 = very important or excellent; a score of 1 = not important or poor.

Table 23 Importance and Rating of Regional Business Climate Elements

Aspects of Business Climate	Importance		Rating	
Workforce Quality	4.56	(1)	3.30	(7)
Workforce Availability	4.37	(2)	3.18	(8)
Health Care Expense	4.25	(3)	2.05	(14)
K-12 Education	4.00	(4)	2.98	(9)
Technical Education	3.93	(5)	3.35	(4)
Police/Fire Protection	3.86	(6)	3.56	(2)
Regulatory Climate	3.85	(7)	2.76	(10)
State Taxes	3.84	(8)	2.23	(13)
Local Taxes	3.82	(9)	2.56	(12)
University/College Education	3.61	(10)	3.68	(1)
Access To Capital	3.54	(11)	3.36	(3)
Public Transportation	3.51	(12)	3.32	(6)
Local Transportation Network	3.40	(13)	3.33	(5)
Support for Entrepreneurs	3.32	(14)	2.61	(11)
Average	3.85		3.01	

Strongly reinforcing earlier responses, employers ranked workforce quality and workforce availability as the two most important factors in their conception of the business climate. Third-most important are health care costs. There is a gap and then fourth-most important is the quality of K-12 education. These are all ranked as being between "important" and "very important." Such rankings are not surprising, given the discussions that have preceded this table.

Rounding out the top half of the elements are technical education (3.93) ─ in part because of the preponderance of manufacturers responding, police/fire protection (3.88), and the regulatory climate (3.85). All of these are quite close to 4.0, as are state and local taxes. But all are substantially below the two components of workforce that top the list. At the bottom of the list are the entrepreneurial climate (3.32) and local transportation (3.40). While still important they are not as important as the twelve other elements.

Fortunately for the region and its employers, the rating of the region in each of the more critical factors is not the worst, except for health care costs (2.05). This is clearly an important element that is very hard on local employers and their profitability. State taxes (2.23) and local taxes (2.56) are not much better in employers' minds. These are very common and real concerns today. But these two rank below the mid-point in terms of relative importance to employers. The only factor that is both important and poorly rated is health care costs.

Workforce quality and availability are not suffering in the same way. They are rated 3.3 (quality) and 3.18 (availability). That means they are better than okay, although not by much. Employers would love to see these as 5.0, given their importance. The elements that employers think are the best in the region are university/college education (3.68), police/fire protection (3.56), and access to capital (3.36). Access to capital often makes the list of the worst problems for new firms. But it appears that for the established firms in the inner city, this is not a huge concern. These and the others near the top rating are not as good as employers would like to have them, but they are not as problematic as health care expenses and taxes.

Overall, the responding inner-city employers give the region a 3.01 for its business climate with larger employers giving a 3.09 and smaller a 2.96. All are considerably lower than was received from manufacturers in the seven counties (3.24) in 2006 and a bit higher than the biomedical employers at the start of 2007 (2.93). Whether the differences reflect different geographic locations, a different point in time, or a different industry mix is hard to say. But since this pool of inner-city respondents contains a number of manufacturers, one might expect a slightly higher overall assessment, closer to what was heard a year earlier.

A higher rating might be more in line with the changing perception of the business climate. The business climate is thought to be considerably better than it was three years ago (Table 24). The fact that 52% of the firms did better than they did three years ago nearly matches the assessment of the improvement in the business climate. Some 10% of respondents think the climate to be much better, and 39% think that the climate is just better. Firms with less than 50 employees are more likely to think the climate is better or much better (55% v. 44%), another finding that does not match the reality of their experiences. But it does leave room for better times ahead.

Table 24 Assessment of Business Climate Today v. Three Years Before and After

Conditions	Versus 3 Yrs ago (%)	Conditions	In 3 Years (%)
Much better today	10	Much better than today	1
Better today	39	Better than today	49
No change	33	No change	30
Worse today	18	Worse than today	18
Much worse today	0	Much worse than today	1
Total	100		100

Do employers expect this improvement to continue? In terms of profitability 61% expect improvements, and in terms of the business climate, 50% think the overall business climate will be better in three years than it is today. The numbers do not exactly match, but the expectation among the majority of respondents is that each will improve. This positive view is driven by smaller firms that are much more likely to think that the business climate will improve further (56%) compared to the larger firms that are much more cautious (39%).

Included in these responses are the views of a couple of firms that indicated they are likely to either close down completely or move to the suburbs. The great majority indicated that they will stay where they are. Overall, larger firms are two times more likely than smaller firms (29% versus 15%) to think the business climate will be worse. That would suggest that a portion of the larger employers expect to struggle in the coming years.

About a dozen employers thought that the region was on the right path and that it was set to grow. They noted there were still a number of challenges, such as taxes and health care. But overall they liked what they saw. On the other hand, there were about as many employers who saw the region in decline. They were critical of health care costs that continue to rise, customers that are being driven from the region because the costs of doing business are too high, regulations that are unfavorable, and global competition that has moved into new products and services and competing unfairly.

Many did have suggestions as to what would make them more successful and what would make the region more successful. The list is long and there was little agreement. The one point on which most agree is that the regional climate can and should be improved.

Assessment of the Business Climate

- On a five point scale where 5 = excellent, 34% of employers gave at least a 4 and 84% gave at least a three, indicating at least an okay assessment
- Small firms were more positive than large firms
- 49% of employers thought today's climate is better or much better than three years ago and 50% expect it to be better in three years than today.
- About one-fifth of employers are negative going backward or forward
- The overall rating on a detailed index of 14 characteristics was 3.01.
    - Top rated are university/college education (3.68), police/fire protection (3.56), and access to capital (3.36)
    - Bottom rated are health care expense (2.05), state taxes (2.23), and local taxes (2.56)
    - In terms of importance, workforce is tops (4.56) and well rated (3.3), followed by workforce availability (4.37) still decently rated at 3.18
    - In terms of challenges the worst rated issue, health care cost, is the third highest ranked in terms of importance (4.25)

Role of Intellectual Property

Given the mix of industries in the inner city, a question on the role of intellectual property (IP) may seem misplaced. But since we have entered an economy that stresses innovation, learning how involved these inner-city firms are gives us insights into the degree to which they are working on becoming part of the new economy. Several different questions were asked related to technology, be it technology development or technology use. Table 25 reveals what various proportions of respondents think the importance of developing IP is to their firms. The variation is great.

Table 25 Importance to the Firm's Future of Continually Developing IP

Level of Importance	Percent
Not at All Important	18
Limited Importance	8
Somewhat Important	14
Important	18
Very Important	43
Total	101*
n = 74	*rounding error

About three-fifths of the respondents see developing intellectual property as important or very important to their futures. That means that there are many firms in the inner city that are on the cutting edges of their fields. That is critical to note. On the other end of the spectrum are the 18% that said IP is not at all important and the 8% that said it is of little importance. In other words, for 75% developing IP is a concern, and this fact should be noted to make clear that many such firms are located in the inner city.

Some 46 respondents (58%) noted at least one process or product that they included under their definition of intellectual property. Those firms that do have IP have basically two forms, products or processes. Some have both. In fact, for many it is very difficult to separate the two, and patents cover both the product and the process by which it is made. When asked the character of their company's IP, the respondents often described the processes they employed, the equipment they used, or the product they developed. The processes they described were sometimes product specific, such as metal finishing process, or product or customer tracking process, or chemical process, or machining process or lean manufacturing process. The list can go on; there are many variations as to where IP is found.

Overall, process covered 47% of the responses: 32% for specific processes such as those noted above, 10% for specific skills and service delivery techniques that give them a unique advantage, and 5% that have special digital technology that gives them advantages they seek to protect. Also included in the largest group are statements that they buy standard machines from others but work to make them more efficient or they employ computers or telecommunications equipment in special ways.

In terms of products the basic variation was between equipment used and actual products produced. They talked of patentable technologies, special formulas, new products that they did not care to reveal, special metals and designs, and advanced technologies that are applied (they having developed the technologies). Only 8% talked of specific products that they created as IP, but 4% talked of designs that are IP, and 5% talked of chemistry or recipes that are IP. Considerably more common was equipment that they employed. This equipment used in production could well be termed process IP, but we decide to differentiate it. Some 18% of the responses referred to special equipment or devices that are involved in product creation or service delivery. Examples include the latest production equipment from Germany, a "clean" room for assembly, hand held computers, special ovens, and the like.

Technology Challenges

When asked to note their immediate technology needs some 56% gave some explanation of their needs (Table 26) and 44% made some statement that indicated that they are up to date or are not facing any immediate technology needs. Small firms gave this response much more commonly than large firms. A good portion of these also stated that they do not use technology or only the most basic, so their answers should be qualified and not sound like they are really on top of their technology needs.

By far the most common immediate technology need (43%) is related to computers, either hardware or software upgrades. Sometimes it was both. But there is a need for more and better software and hardware to help them improve their businesses. This response was more commonly given by larger firms (30%) than smaller firms (20%). But both have needs.

Table 26 Immediate Technology Needs of Responding Firms

Description of Technology Needs	Percent
Computer Hardware and Software (various types)	43
Upgrade Production Equipment and Applications	35
Technical Training for Workers	8
Internet Development (more sophisticated)	8
Improved Telecommunications Equipment	4
Further Product Development	2
Total	100

n = 81 respondents; n = 45 respondents with tech needs

Next most common responses (35%) mention a variety of tools and equipment that are thought to be needed to improve their operations. In this case it was smaller firms that were more likely to mention this need: 24% of the small firms compared to 15% of the larger firms. Several pointed to dramatic needs for improvement. The tools and equipment they mentioned included such things as new printing presses, Radio Frequency Identification Technology (RFID) for tracking, GPS in all vehicles, robotics, equipment with faster feed rates, new ink technologies, ATMs, melting furnace upgrades, more automated equipment, and improved telecom. Others talked about such items as computerization of records, systems to track customer items in real time, and inventory control. A few others noted needs but did not want to specify them.

A few employers mentioned the training needed to better utilize the new equipment. Some 8% talked of specific needs to upgrade what they can do with the Internet. One suggested the creation of a clearinghouse where companies can meet people with IP that might be compatible with their business. And one spoke of the wish to have closer connections with local colleges/universities to work with on special projects.

Location Impact on Profitability

A critical issue for these inner-city firms is the impact of their locations on their businesses. They must decide if the location presents a net advantage or a net disadvantage. To many observers the inner city has the image that it is a difficult place for doing business. On the other hand, it is the location with the easiest access to a labor surplus. This issue was part of the questions that all CEOs were asked: "How does being located in this region positively and negatively impact your profitability?" Most respondents spoke in terms of the region, but several directly addressed the issue of their inner-city location.

Table 27 reveals the multiple responses as to the positive impact of their location in this region on their profitability. The eighty respondents gave 100 different answers to this question. Most of the responses were shared by very few other respondents. Employers view this topic quite differently. By far the most common response (20%) was that the location in the region had no impact on their profitability. Despite this, only one talked of the possibility of relocating his business because the location does not provide any specific advantages.

The next most common response was more positive. The advantage the region provides is a strong local demand for their goods and services (17%). This reflects the fact that these firms generate half of their sales volume within the seven-county region (see Table 8 above).

Another somewhat commonly perceived advantage is the availability and access to good workers (14%). These responses reflected the earlier responses on the advantages of the workforce here: workers are available and they have a strong work ethic, are quality workers, and possess skills employers need. The respondents also mentioned workers living nearby, worker flexibility, and low turnover rates as attributes.

Table 27 Means by Which Regional Location Positively Affects Profitability

Means of Affecting Profitability	Percent
No Impact	20
Strong Local Demand	17
Availability and Proximity of Workforce	14
Lower Costs or Fiscal Incentives	9
Central Location in the U.S.	9
Long History Here/ Expensive to Move	7
Close Proximity to Suppliers	6
Close to Raw Materials, especially Water	4
Good Transportation Infrastructure	3
Good Business Conditions for This Business	3
Quality of Life	2
Mix of Other factors	6
Total	100
n = 100	

Adding to local demand is the presence of lower costs or greater fiscal incentives than elsewhere, according to just under ten percent (9%). Several employers spoke of costs here being lower than elsewhere or at least reasonable. One even noted that taxes were reasonable versus some other places in which they do business. Another noted lower rent while a third talked of access to competitively priced capital for the purchase of a new building.

A comparable portion (9%) this region is centrally located in the US, a fact that helps with both shipping costs and time. A modestly shared response (7%) was the historic fact that the business was founded here. Several companies reported they had been here for 50 or more years, and five spoke of investments in buildings and equipment that helped to make them stationary.

Even less common (6%) were responses that noted their proximity to either other business suppliers or to customers. Several made reference to the critical mass of customers nearby locally or in the central states, and others talked of the closeness of suppliers, be they metal fabrication, metal waste, or machine shops. About 4% talked of the availability of large volumes of inexpensive clean water. The remainder mentioned the benefits of a good transportation network (3%), a supportive business climate (3%), and an appealing quality of life (2%).

On the negative side there was more agreement as to the problems the region provides and many more responses to the question (135 versus 100 comments on the positive). To start, 92% of the responses indicated some sort of negative influence on their operations

(Table 28). That is a bit different from the 80% of responses that claimed their location had a positive impact. There do seem to be some elements that challenge these employers, even if there is little agreement as to just what those factors are.

The most common response by far (19%) concerned high taxes. Often the phrase was "taxes," but many times it was "state and local taxes" and occasionally "property" taxes. The basic statement was that these are too high, often higher than elsewhere for those with multiple locations. Almost as many employers (17%) added health care, labor, and living costs as the second-most common negative impact. They drew straight lines between high costs and their own profitability.

Aside from high taxes, not one topic was cited by even ten percent of respondents. The two factors that came close (9%) were transportation inadequacies and crime/security at their specific location. Some of the transportation challenges concern small roads serving their facilities. But other issues are getting goods past Lake Michigan, the Marquette Interchange reconstruction, getting employees to work, the absence of light rail, and general congestion. Crime has scared potential customers and potential workers away, made vandalism a serious problem, added to security costs, and made access to capital more difficult, or so say a modest portion of respondents.

Table 28 Location Factors That Negatively Affect Profitability

Location Factors Negatively Affecting Business	Percent
High Taxes	19
High Health Care, Labor and Living Costs	17
No Factors	8
Transportation Shortcomings (largely for freight)	9
Crime/Security in the Area	9
Economic Factors, such as Population and Mfg. decline	6
Cold Climate	6
High Energy/Utility Costs	5
Workforce Quality Shortages	4
Government Regulations	4
Competition	3
Attracting Workers	3
Assorted Others	7
Total	100

n = 113

Even less commonly heard were comments about the impact of specific economic factors. One (7%) was a mixed bag of responses that includes the "slow-to-change" mentality locally that means it is hard to find new customers because buyers will not discard old suppliers, additional environmental concerns that are more costly to address than locating in a rural area, higher rents, and being further away from major customers. Other economic factors mentioned (6%) were such things as declining market size as the city loses population and other manufacturing firms, the large number of unemployed residents, and the high number of uninsured persons in the region (adding to vehicle insurance rates). All hurt the respective respondents.

A similar proportion of responses (6%) were on the topic of the climate. The weather hurts profits; it raises truck and fuel costs, and it raises building operating costs. Climate also makes it more difficult to attract professionals to the workforce.

Aside from the issues of crime and a few mentions of accessibility to customers and workers, there were few negative comments about the locations in the inner city. The issues are more regional or national in scope. That is good to see – those businesses in the inner city do not see many negatives and actually several positives from their specific locations in the city. More challenging are regional, state and global concerns.

Desire for Assistance

Throughout the interview participants were asked questions about whether they would like to receive additional information about the topics that were being discussed. Seven different subjects were covered by these queries. Each was a simple question of whether they would like to receive additional, specific information about the subject that was then being discussed. Given the nature of the topics, it was presumed that at least a few would generate interest. In fact, all did generate some interest, and a few generated a good deal of interest. The results of the seven questions appear in Table 29. Each topic is discussed below.

Table 29 Proportion of Respondents Seeking Additional Information, by Topic

Topic for which Additional Information is Sought	Yes (%)
Workforce Training Options and Government Sponsored Programs	70
Workforce Retention Strategies	59
Selling to Governmental Entities	47
Meeting Immediate Technology Needs	44
Developing Formal Relationships with Other Local Firms	35
Local Resources for Developing, Deploying, Protecting IP	27
International Exporting Opportunities	22

Quite expectedly, the topic on which respondents overwhelmingly want some assistance is that of workforce training. Some 70% (even more than the 66% among manufacturers last year) want to learn more about training options and funding sources that can offset the cost of training. These firms requesting information are distributed across industries, are largely headquarters (82%), more often employ fewer than 50 workers (54%) but average 119 employees at the site, often expect employment growth in the next twelve months (52%), have greater than average number of unskilled workers (44% v. 37% for all respondents), and pay unskilled workers 8% more than average.

Workforce is their most compelling issue, and employers seek help from wherever they can find it. This is a need that must be responded to as quickly as possible. What will have to be learned is the degree to which the need is incumbent worker versus new worker training that is of interest. The impression from the many comments about finding new workers is that the real interest is in training new workers.

Almost as many employers (59%) are interested in learning more about worker retention strategies. These firms are evenly split between smaller and larger employers. About three-quarters (76%) are headquarters. Some 44% grew in employment in the last 12 months, and 52% expect increased employment in the next 12 months. They average 116 workers currently, make heavy use of unskilled workers (48% of their average workforces), and pay unskilled workers almost 11% more than the average for those interviewed. These firms are more likely to say they will grow in capital expenditures and to physically expand over the next 12 months. Thus, they have even more reason to be concerned about retaining their workforces.

One need is to train workers; a second is to treat them well enough that they remain with the firm and contribute to the bottom line for a number of years. This element threatens to become even more of an issue as labor becomes in even shorter supply. Employers will increasingly be vying for available workers. Therefore, employers who want to win the struggle must have thought through and implemented several strategies to retain the workers they are able to initially attract.

On a very different note is the third most common response (47%), information on how to sell to governments. Since this is already done by almost half of the employers, word must be out that this is a good market to serve. Many employers, be they manufacturers, retailers, or service providers want to learn more about this market.

Almost as popular was the offer to help connect the employers with individuals or firms that could help them address their most pressing technology needs (44%). This will be a challenge in that there is great variety across the respondents in terms of what it is they see as their technology needs. In many cases it is hardware and software, but the issues described vary widely from production needs to office needs. And the product/equipment needs vary widely, as illustrated in the text above. But help is being sought, and an effort must be made to assist.

One of the more intriguing questions covered inter-firm relationships. Firms were asked if they wanted to learn more about establishing relationships with other local firms to develop or share intellectual property, introduce new products/services, streamline processes (e.g., customer/supplier partnerships), or market their products/services. Some 35% of respondents expressed an interest in learning more about the establishment of such relationships. That will be a challenge again, given the breadth of possible sharing. But there is considerable interest in exploring such activities.

Two other topics on which assistance is being sought are related to intellectual property and exporting. More than one-quarter (27%) of the respondents want to learn about local resources for developing, deploying, accessing, or protecting IP. Although more than half the respondents have little or no interest in IP, the other portion of respondents is quite-to-very involved in IP. Learning more about many aspects of IP could well help them be more effective and successful.

Given that only 1% of the respondents export in an economy that is increasingly global, one would hope that there would be interest in learning more about the ins and outs of exporting goods or services. The fact that 22% of the respondents want to learn more is a very positive sign for the employers and could well lead to more than 53% of the firms increasing sales, as happened in the preceding three years.

These employers in the inner city are interested in learning. The topics vary, but more than one-fifth of the employers want to learn more about each of the seven suggested topics. The employers see the connections between many of these topics and their own potential success. Knowledge is power, and these firms seek both.

Summary and General Steps

The inner city is viable, more viable than some perceive. This set of employers is doing reasonably well, given the challenges of all employers in the region. More than half of the inner-city employers interviewed have been experiencing growth in sales and profit and at least as many expect both to grow within the next three years. Furthermore, 66% expect "significant" growth in employment, capital expenditure, or physical space within the next twelve months. The 49% that expect to add employment and the 47% that expect to significantly invest in equipment both speak to the strength of this area.

We cannot define what "significant" employment growth means to these employers. But if we were to assume that it means as least 10% growth that would translate to another 376 jobs to be added among just 40 firms. That speaks quite positively about the potential that exists today in the inner city. However, this growth does not come close to matching the need for jobs. The 376 jobs represent just a 4% increase in the employment among the 81 firms interviewed. That rate does, nevertheless, suggest that the inner city should be better utilized as a place that can generate new jobs for the resident labor force.

Furthermore, this group of employers is quite positive about the business climate. They are relatively positive about the inner city as a place to do business. A few (8%) did mention some challenges for some of their potential customers and for some of their employees. But for the vast majority of inner-city employers the real challenges are the broader global competition and their regional competitors. It is not their setting.

In fact, again, the vast majority do hire from the inner city. The firms benefit from their inner-city location, even if it has some shortcomings on other dimensions. The basic message is that this geographic area has positive attributes, and inner-city employers are in positions to hire an increasing number of workers from the immediate neighborhoods. This option should by no means be dismissed. In fact, it should be exploited to the benefit of both employers and residents. The challenge is developing the best ways to help make this happen.

Given that these firms are providing numerous jobs to inner-city residents, are buying half of their total supply-dollar purchases within the seven-county region, and are working to become more successful, governments, non-profits, and business organizations should all make it a priority to assist these firms in addressing their current challenges. With what appears to be a turnaround in the fortunes of local economies, with Milwaukee leading the state in terms of net job growth over the last year (2007), it behooves all parties to further this momentum.

If the inner-city is to be an option for inner-city residents, however, the largest issue seems to be worker preparedness. Residents need to be able to meet inner-city employer needs in terms of a strong work ethic, skills that are required, and at least minimum education levels. That is the top priority, but to succeed in making the inner-city an even more viable option will require efforts in workforce and three other ingredients to:

- Work with local employers on workforce training and retention
- Increase inner-city land available for locations and expansions
- Meet other employer needs, such as assistance with information technology, developing businesses relationships, selling to government entities, developing and protecting intellectual property, and exporting, to help them succeed.
- Market the fact that success is possible, even probable, in this setting.

After years of job losses in the inner city, the trend appears to have stabilized and modestly reversed. To build on this will require several explicit interventions. If taken, it appears that this can be a truly viable option for increasing economic opportunity for inner-city residents and businesses. Specific recommendations for actions need to be detailed and expressed in a fashion that will move us forward. That process is currently underway with the organizations that are most likely to be involved. Once that detailing is done, a report will be released noting the specifics.